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Dissertation

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# **Internal Marketing as a compass to the Creative City**

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**ABSTRACT**

In recent years, European cities are increasingly facing the challenges of globalization and restructuring of their economy. This dissertation focuses on main priority pillars, which policymakers should initiate for competitiveness and social cohesion in cities. The major question relates to the formation of a robust strategy based on knowledge, social capital and creativity. It addresses how different knowledge is connected through social interaction and how this fuels the creation of new ideas and ultimately creative economic activity. To achieve the objective of economic development through innovation, internal marketing is recognized as a significant instrument in process of consultation and mobilization of stakeholders in shaping and realizing a shared vision. The dissertation orients on the city of Volos: how it could become a sustainable city, by utilizing the people who live and work in it; how stakeholders perceive their role in the system, which tools of internal marketing could be exploited and how.

**Keywords:** *Strategic planning, Volos, Creative city, Shared vision, Internal marketing*

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*Aristea Bati*

*20, June 2012.*

*“Because things are the way they are,  
things will not stay the way they are”.*

Bertolt Brecht

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## CHAPTER 1

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### 1. INTRODUCTION

#### 1.1. ESTABLISHING THE RESEARCH CONTEXT

In the 21st century, cities are the forefront of economic growth and development. The role of cities in Europe is increasingly important, because the vast majority of the European population lives in urban environments and simultaneously the main challenges of globalization are reflected locally. Cities constitute the hubs of people's activities. We are entering in an era, in which communities across the globe are strengthening their connectivity through the global flows of capital, goods, ideas, people, technologies and values, while facing at the same time serious dislocations in their traditional socioeconomic structures.

European governments and local government institutions compensate particular attention to the role which should act cities in the future. Strategic city planning procedure regards the active identity forging in order to participate in international division of labor. This concept is based on endogenous processes, functions and resources, which as a “whole” characterize and shape the city's identity. The creative city approach is defined in order to explore how people can (individually and collectively) think, plan and act creatively within the city. Creativity is a prerequisite for sustainability. Stakeholders have to realize, identify and strengthen their role in the city.

Central argument of this dissertation is that the pillars of knowledge, social capital and creativity contribute more to economic growth. It assesses the usefulness of internal marketing as a triggering mechanism for stakeholders towards cultivation of the relevant factors mentioned above. Marketing in general, as well as internal marketing operates interactively. Originally, it operates as a “mechanism for the collection and processing of information” which realizes the resources, skills, the views, perceptions, expectations and aspirations of the (internal) stakeholders. Then it acts as a “focusing mechanism” which highlights the shared vision and strategic intent to stakeholders in order to engage them in coordinated actions.

The shared vision should serve as the attractor for the commitment of stakeholders' resources aimed at developing their own strategies, which could not be coordinated, but remain coherent and symbiotic in particular spatial context. The city of Volos is used as a case in order to examine the behavior of stakeholders within the system. Thus, the city emerges as a coherent system that serves the shared vision and strategy. Success depends on the degree of involvement of stakeholders in the designation of a shared vision for the city future, which it is crucial for the alignment of their strategic actions.

This dissertation is designed to inform emerging policy discussions about how to enable Volos city to cultivate its creativity and reap the benefits for all citizens, constructing the new post crisis economic landscape. The main focuses are accompanied by sub-questions, presented in table below:

**Table 1.1 Research Questions of the Study**

1. What is local economic development?
2. What are the evolutionary trends of local economic development?
3. What do we really understand by creativity?
4. What exactly are the conditions that contribute to increasing creativity?
5. How should we understand place marketing?
6. What branding initiatives or strategies are used to retain or attract people in the inner city of Volos?
7. Is there place for internal marketing in planning?
8. What is the role of stakeholders?
9. How could be inspire local stakeholders to engage in joint and coordinative activities in the case of Volos?
10. How stakeholders articulate the city's vision;

Source: Own processing

The research questions have been purposefully designed to help decision makers and planners in preparing cities for the requirements of the creative economy. Every city should be working to identify opportunities in the knowledge based society and ready to catch the wave (Suciu, 2009) of current challenges. The conclusions of the study would be useful to the local policy makers to include in the development strategies the activities that would stimulate economic growth.



The dissertation is organized into 5 chapters. The current *chapter 1* constitutes an introduction to the topic. *Chapter 2* develops the concept and significance of local economic development due to it is taken as the fundamental prerequisite for prosperity and competitiveness of a place. This chapter concentrates on the role and importance of knowledge, social capital and creativity in the urban environment. In tracing the evolution of local economic development, *chapter 3* analyzes how specific methods and tools might be suitable for a place. It is examined whether and how the ideas, techniques and methods of internal marketing could be implemented in order to define the place strategy. *Chapter 4* presents the case study, focusing on the role and importance of local stakeholders in the city of Volos. It is based on the perceptions of local stakeholders as they recorded via interviews. It examines the ways of using internal marketing for developing city's strategy and vision, through the involvement and mobilization of stakeholders in it. Drawing on insights from the extant literature and a comprehensive qualitative study the final *chapter 5* offers the main points of this research and the policy implications.

## CHAPTER 2

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### 2. LITERATURE REVIEW

#### 2.1. LOCAL ECONOMIC DEVELOPMENT

This chapter examines the evolution of economic development theories at a local level. The main discussion deals notions of local economic development and the significance prosperity. The literature focuses on the local development policies of cities, in order to highlight the transition to a new urban economy. First, it explains the role of local economic development and its theories. Second, it clarifies the emergence of knowledge spillover, social capital and creativity as influential sources of local development.

##### 2.1.1 *APPROACHES OF LOCAL ECONOMIC DEVELOPMENT*

Economic development is the gradual evolution of a given geographical and social national economy that reflects an increase in the productive forces. Nowadays, the productive forces constitute science and technology. Social development is related to knowledge and science and occurs in a specific geographical context. Between the 1960s and 1970s, local and regional development evolved as a significant activity of governments. Its context is gradually changing and evolving due to challenges (such as social problems or unemployment). Globalization is driving changes, which offer new potentials and challenges to firms and governments. The contemporary emerging economy becomes increasingly knowledge intensive and competitive. A qualitative change has been made towards a “reflexive capitalism”, characterized by increased complexity, uncertainty, risk and speed of economic, social, political and cultural change (Pike et al., 2006: p.3).

By shaping the global system it becomes ever more important the role of the European regions. The current common trend in Europe towards “regionalism” stresses the importance of regional and local socio-economic systems, namely the role of national space (Castells, 2000). In this new European socio-economic environment, sustainable and social economic development has progressed through several phases and is characterized as a complex process.

The effectiveness of it is matter of several factors of a diverse nature related to economic, social and political conditions (Urry, 1990: p.187). It requires an appropriate allocation of resources to ensure an optimal development path.

From the current literature it appears that growth, wealth creation and jobs are economic development indicators (Armstrong and Taylor, 2000). The core is the increase of employment, income and productivity for local prosperity (Storper, 1997). There is a “reasonable consensus about the broad parameters of what is meant by local and regional economic development: it refers to a set of activities aimed at improving the economic well-being of an area”. The meaning of activities is a development strategy, research, firms, labor market, technology and innovation initiatives (Beer et al., 2003: p.5).

Goodwin et al. (1993: p.69) suggests that:

“economic, social and political experiences of regulation vary between places within a country, often significantly so...differentiated spaces of regulation arise not only because these experiences reflect localized conditions of production and consumption, and local constellations of social forces and cultural practices, but also because local agencies are often the very medium through which regulatory practices are interpreted and ultimately delivered”.

Several other authors (Elkin, 1985; Sanders and Stone, 1987) have suggested that, during the construction of development policies there are considerable conflicts and disputes among stakeholders. Their findings underline the diversity of interests and political agendas in the city. Economic restructuring is accompanied by a revival of interest for planning development, as a way to ensure a role for every place in the future (Cox and Mair, 1988). In addition, the development of local economic strategy is like a process of “coalition-building” (Cox and Mair, 1988, 1991) between city stakeholders. In many ways this policy-making procedure arises from the role of “local dependence” on various stakeholders. This idea indicates the dependence of various stakeholders, namely organizations, governments and people.

In other words, it is the localized exchange linkages, which are stable over time, attempting to “promulgate” a shared interest in local community. Organizations depend on local markets (customers), suppliers and labor forces. They can form a local company alliance; governments are dependent on local revenue and an electoral mandate; and people are independent which straightens out spatial relations. Cox and Mair (1988, 1991), also, stress the term “potential conflicts” between the dependent stakeholders so as to overlap local dependencies. Within “potential conflicts” that are caused by overlapping local dependencies, coalition-building aims at structuring a common vision and creating an exclusive local interest, in order to cultivate an ideological commitment to the “pseudo-community” of locality.

The power of state to reform and strengthen social relations aims at pushing local economic initiatives. These local ideologies are now different because of the transition of traditional social relations – family, ethnicity, religion, authority and neighborhood to contemporary forms of commodification, career and materiality. The initiatives of local dependence build the basis of a political system, in which competition along with spaces has appeared to outweigh conflict within them. It is able to facilitate shared goals and planning strategies with several economic development projects (Cox and Mair, 1988).

Valler (1996) points out the necessity of local social relations restructuring, as these are generators of change. Local economic strategies are formed by a broad context of systemic change and they are based on the discretionary effort and discretionary activity of city stakeholders. The situation transforms from capitalist social relations to more institutional forms, such as structural and legal systems, collective agreements, joint actions and shared values. There is a tendency for local strategy to accommodate individual and collective interests and thus articulate fundamental social relations. For this reason, Cox (1998) analyzes the sense of locality from the “community” perspective, rather than capital one. He emphasizes the structure of local social relations, which provoke opportunities and constraints that offer conditions for concrete outcomes. Also the local structures are characterized by diversity and therefore this tends away from a unified sense of locality. All have their own localities -state, people, and firms- nevertheless they rarely overlap (Cox, 1998).

“Economic development is not an objective per se. It is a means for achieving well being, according to the culture and the conditions of certain populations. Nevertheless the well being target is not the same for people living in New York or in Maputo; only who is living in New York or Maputo could fix what they want to achieve in the medium and long term” (Canzanelli, 2001: p.24). It is clear that each place has its own economic strength, as it presents different levels of producing and adapting innovation. That is why local development definitions vary among regions. Owing to the diversity of places, the changes that occur influence more or less each separate region.

The idea of the economic base explains the development of an area by the division of the economy into two types of operations: endogenous and exogenous. The theory of exogenous export activities is essential and represents the economic base in the region, as the demand for goods and services excites regional economic development and forms its role and individual characteristics in the social and territorial division of labor (Szajnowska, 2009).

According to Pike et al. (2006: p.97) “economic development is a process of moving from a set of assets based on primary products, exploited by unskilled labor, to a set of assets based on knowledge, exploited by skilled labor”. This approach reveals that mechanisms are developed internally and foster the production and exchange of knowledge. A change in orientation embodies cooperative learning with trustful labor relations and inclusive policies.

Pike et al. (2006: p.17) address two different local development policies illustrated in the table: the top-down policy and bottom-up one. It notes five differences between these development strategies:

<b>Table 2.1.1</b>	
Top-down and Bottom-up local development policies	
<b>Traditional development policies</b> (Top-down)	<b>Local and regional development</b> (Bottom-up)
Top-down approach in which decisions about the areas where intervention is needed are taken in the national center	Promotion on development in all territories with the initiative often coming from below
Managed by the national central administration	Decentralized, vertical cooperation between different tiers of government and horizontal cooperation between public and private bodies
Sectoral approach to development	Territorial approach to development
Development of large industrial projects, that will foster other economic activity	Use of the development potential of each area, in order to stimulate a progressive adjustment of the local economic system to the changing economic environment
Financial support, incentives and subsidies as the main factor of attraction of economic activity	Provision of key conditions for the development of economic activity.

Source: Pike et al. (2006: p.17)

In the first approach the development of strategy is made by national central government planners and developers without any involvement of local actors. The decisions are made by central government agencies. In contrast to traditional policies, there is the involvement of all actors; a vertical and horizontal coordination. The vertical coordination synchronizes all kinds of institutions and the horizontal embraces local, public and private actors dealing with development matters. Besides, the new approach introduces the territorial approach as a generator of economic dynamism, whereas the traditional approach is based upon the promotion of specific industrial sectors.

The development strategy is unique for each territory, because it possesses its own economic, social and institutional conditions and its own local economic potential. The traditional approach is based on incentive packages and subsidies from government, which can enhance economic activity; while the new approach focuses on the improvement of the basic supply side conditions for the development of economic activity (Pike et al., 2006: p.17).

In response to that, a Community Economic Development policy has emerged, which is a bottom-up approach in order for the community to lead local regeneration.

“Community Economic Development (CED) is potentially beneficial for disadvantaged localities since it seeks to use and develop the skills of local people, recirculate local resources through the local economy through local ownership and foster self-determination in local communities” (Pike et al., 2006: p.51). Policy instruments are coordinated and integrated within comprehensive development programs towards a more social local economy.

Canzanelli (2001), also, recognizes that local development is a bottom-up approach, which regards local, public and private actors who are competent-responsible for operations, investments and control processes. At a local level, local stakeholders: (1) know the resources that can be utilized and know how to use them; (2) know the particular needs of the place for development and how to respond to them; (3) collect and coordinate the resources, because of familiarity, reciprocity, common needs and goals; (4) and pushing and channeling more resources. Eventually, it is stated the most prevalent definition of local economic development:

“is a participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating decent jobs and sustainable economic activities” (Canzanelli, 2001: p.9). Thus, local stakeholders may form and share the future of its place.

Porter (1995) has focused on the problems of the inner city and he established an Institute for Competitive Inner Cities (ICIC). His estimation reveals that if location is appealing to companies and their activities, then they create clusters internally that drive economic development.

If a location promotes the rise of clusters, then location itself is the most potential advantage, because this tendency creates new capabilities, new companies and new industries in the inner city. Clusters or sectors, which are located in the inner city, are interdependent. The industrial sectors exploit the potential linkages to other firms and upgrade the skills of workers, by suggesting training programs. Also, clusters create networking that gives them access to resources and information “impacted” within other organizations and locations. Urban inner cities are identified as “locus of demand”, due to the fact that they deliver job and economic opportunities to residents (Glasmeier, 2000: pp.559-579 (chapter 28) in Clark et al., 2000). The following section reviews the main local development theories.

### 2.1.2 *ECONOMIC DEVELOPMENT THEORIES*

Local economic development at a theoretical level is the subject of scientific debate and dialogue. Until the late ‘60s there were two schools of thoughts that prevailed: neoclassical and Keynesian.

In **neoclassical economic theory** (Solow, 1956; Swan, 1956) the economic system follows the ideal time path, which makes optimum use of financial and human resources. The system has no need of public intervention mechanisms’, as it is based on the mechanisms of the free market, namely as self-regulating. Any disturbance or imbalance in the system is temporary, since the free market mechanisms set in motion forces that restore balance. The neoclassical determinants are capital stock, labor and technology. Technology broadens quickly and can be viewed as identical in all regions. The other determinants are human capital, savings and population growth rates handled independently of capital and labor contributors (Pike et al, 2006: pp.61-77).

The other school of thought, the **Keynesian growth theory**, considers that development is a spatially cumulative causation process, which is likely to bring increasing returns (Rosenstein, 1943; Perroux, 1955; Myrdal, 1957; Hirshmann, 1958). Myrdal (1957) developed the cumulative causation theory and he argued that economic development should only be started in some regions and not in all geographical areas. There is a spatial interdependence between the center and the regions.



This process results in a spatial differentiation into growth region and lag regions. The Keynesian approach reinforces the role of state and public intervention. Also, this approach emphasizes public investments and the decentralization of powers to local authorities (Pike et al, 2006: pp.61-77). Eventually, we could note (Petrakos, 1993, 2000) that the neoclassical theory demonstrates that urban decisions result in personal responsibility and initiative, indicating thereby the compatibility with the concept of liberalism. Local environment dynamics of dissemination are released that rely on labor and capital mobility, the expansion of commercial relations and technological diffusion.

Moreover, an additional academic local development theory is about **agglomeration economies** with a specific emphasis on production factors endowment. Agglomeration economies (illustrated by Marshall, 1920) can be defined as “cost reductions that occur because economic activities are located in one place” (McDonald and McMillen, 2007). They are classified into two types: localization economies and urbanization economies (Ohlin, 1933). Localization economies are the spatial concentration of same industrial structure clusters in a region, whereas urbanization economies are the location of different and diverse industries in a region, which benefit from the coexistence, enhancing production capability from the proximity of other productive activities (Cohen and Morrison Paul, 2009: p.101 (Chapter 6) in Capello and Nijkamp, 2009). Such agglomeration economies of specialization of diversity cause positive externalities. An essential statement is that “proximity of productive activity in own or other industries confers external benefits on firms that enhance their economic performance and thus motivate clustering”. The literature recognizes many causes of agglomeration economies. However, the most common characterization of these causes is “Marshallian Channels” through which are achieved economies of scale and then agglomeration works. Specifically, firms are located around a common supplier (inputs); labor pool; and knowledge spillovers (Cohen and Morrison Paul, 2009: p.102 (Chapter 6) in Capello and Nijkamp, 2009). Therefore, agglomeration economies are external or internal economies of scale accruing from the higher concentration and interaction of economic activities.

Reviewing further the main economic development theories, the contemporary academic approach is presented, which has been developed since the 80' and until today. The **endogenous growth theory** is explored by Romer (1986) and retains the core elements of the neoclassical approach and language. The key determinants of economic growth and the sources of increasing returns are knowledge spillovers, technological innovation and human capital. From this perspective, the focus is on research, development and educational investments. It also focuses on fiscal economies, public infrastructures and incentives for technologically innovative sectors (Pike et al, 2006: pp.102-107).

The table below presents the different sorts of increasing returns and externalities, which are envisioned in different models:

Table 2.1.2 A typology of new growth theories				
Type of growth theory				
	Augmented neoclassical	Endogenous broad capital	Intentional human capital	Schumpeterian endogenous innovation
Engine of Growth	Physical and human capital, exogenous technical progress universally available. Slow and conditional convergence within clubs of countries with similar socio-economic structures	Capital investment, constant returns through knowledge spillovers. Cumulative divergence, but shaped by government spending and taxation	Spillovers from education and training investments by individual agents. Convergence dependent on returns to investment, public policy, and patterns of industrial and trade specialization	Technological innovation by oligopolistic producers, with technological diffusion, transfer and imitation. Multiple steady states and persistent divergence likely. Possible club convergence and catch-up

Source: Pike et al (2006: p.103)

Endogenous growth theory is a radical response and it introduces increasing returns into the augmented neoclassical model with conditional convergence. It gives a formal treatment to ideas that had been previously exposed informally (Martin and Sunley, 1998). Different sorts of increasing returns and externalities are envisaged in different models: “endogenous broad capital models and endogenous innovation models” (Martin and Sunley, 1998: p.209). The first highlights the externalities which are produced from capital investment and human capital, as well as the “learning by doing” and “knowledge spillovers” (Martin and Sunley, 1998: p.209). The second underlines, the Schumpeterian endogenous concept and the returns to technological enhancements generated by conscious and intentional innovation by producers. Both models struggle to convince that there are constant and increasing, rather than diminishing, returns (Martin and Sunley, 1998).

Petrakos (2000: p.306) and Bretschger (1999) underlines the basic assumption of endogenous growth theory is by increasing returns to scale resulting from knowledge accumulation. In particular, it is argued that knowledge is a major factor in local development. After investigating regions, Bretschger (1999) presents a model, which utilizes three inputs: physical capital, knowledge and employment. He tried to demonstrate this via the analysis of, knowledge and surplus knowledge as those factors that create increasing returns and explain the regional concentration of industries in a certain region.

Referring to the role of knowledge in local economic development, Lambooy (2002) argues that regions with economic agglomeration advantages have better opportunities to exploit the resources of these regions i.e. human and physical in order to establish knowledge infrastructure and facilities. While less developed regions face difficulties, since they lack research and development investment; in specialization and in investing in and attracting a qualified workforce from other regions.

Endogenous local development is carried out through the effective use of the local economic potential, which is facilitated by the support of local authorities and existing regulatory mechanisms in the region: the form of productive organization, the well known structures and local traditions, the social and cultural structure, and the codes of conduct - behavior of the population provision a process for local development, facilitate or limit economic potential and, indeed, determine the particular path of local development. Endogenous local development recognizes a dominant role in local businesses, organizations, institutions, and civil society in general. Local, public and private actors define and control the development process (Canzanelli, 2001). Hence, the neoclassical theory highlights the importance of investments, while the endogenous growth theory stresses the role of human capital and its capabilities for innovation.

The nascency of **new economic geography** is signaled by the American economist and Professor Paul Krugman. The main question was: “how economic forces will work in an economy that is characterized by imperfect competition and diversified products. Production is subject to increasing returns, capital and labor are mobile and transport cost is not zero” (Krugman, 1991). The new economic geography explains locational decisions by different forces. Forces, such as the proximity to customers and suppliers, the corresponding learning and innovation advantages, lead to a concentration of economic activities in specific places. European economic integration favors a concentration of economic activities, since it lowers transaction costs. Other forces act contrary to these agglomeration effects, and can include immobile factors (land, labor), high transport costs, large agglomeration disadvantages (traffic jams, environmental damages) or higher labor costs (Krugman, 1991, 1995; Puga, 2002). The main objective of economic geography is the necessity of interpreting the clusters of populations and economic activities in space. These clusters are shaped and sustained due to the fact that there are agglomeration economies in which the spatial clustering itself forms the appropriate economic environment that supports the continuous clustering of population and activities (Fujita et al., 1999: p.4). The model of Krugman (1991) is a cumulative causation model where the main idea is that a region attracts new companies and workforce and ultimately can utilize economies of scale and variety (Dijk et al., 2009: p.463 (Chapter 23) in Capello and Nijkamp, 2009).

The new economic geography focuses on the relationships between location and space, defines new perspectives and methods since this field of research is detected at the heart of the emerging global economy.

In order to assess the appropriate way, it was necessary to consider the various key analytical development theories which took place over recent years. With the new economic geography the possibility of a new era is opened up, in which knowledge creation and learning are dominant. The next sections analyze the meanings of knowledge, social capital and creativity.

## 2.2 SPILLOVERS AND LOCAL DEVELOPMENT

This section explains the role of localized knowledge in economic development. In this modern-new economy, knowledge takes a crucial role as it is illustrated by the way it is used in interactive relations among market participants when producing and using goods and services. The knowledge based economy is understandable as the enrichment of the locality's ability to produce, absorb and utilize innovation and knowledge via learning processes (Pike et al., 2006: p.95).

Innovation is a social process and this is an emergent interactive model that underlines the interaction among users and producers of knowledge, via spatially proximate collocation and facilitation by information and communication technologies (Howells and Wood, 1993 in Pike et al., 2006: p.96).

“Innovation, either product, process, or organizational, is the novel application of economically valuable knowledge. The ability to harness knowledge and to reap the resulting economic benefits is critical to economic development, technological change, and industrial evolution” (Feldman, 2000: p.373 in Clark et al., 2000).

For this reason the choice of location is of great importance, since it forms the spillover effect. In the inner city the agglomerations of firms and individuals facilitates the transmission of knowledge. The spatial context is characterized by interaction, communication, search intensity and task coordination among local actors (Feldman, 2000: p.373 in Clark et al., 2000).

Furthermore, the central idea for place development is to save and invest in humans. Human capital is considered as an “accumulated stock of skills and talents”. It is a significant input in the production of knowledge and ideas. Knowledge is a non-rival and non-excludable good; everyone can use it, and is in abundance.

“The knowledge does not die with the person who creates the knowledge. However, even though knowledge has significant spillover effects, it is partially excludable and nonrival due to the patents laws and the preventive actions of firms” (Mathur, 1999: p.205).

Thus, firms that possess knowledge can increase their productivity through investments in research and development activities. The ideas are embedded in humans, who have the skills, knowledge, and know-how to engage in technological advance. A place with the persistence in localized knowledge (firms and industries) and skilled workforce offer the mechanisms for spillover effect (Feldman, 2000: p.383 in Clark et al., 2000).

Similarly, there is a relationship between spatial clusters in particular industries and knowledge reproduction. The tendency for industries to concentrate geographically benefits the place. In particular, each firm has the required internal knowledge which is involved with the external knowledge of other industries. It is “imperative to balance the need to cooperate in order to share new economic knowledge with the need to compete in order to benefit economically”. Hence, it stimulates the enhancement of social contacts and the diminishing of untrustworthy behavior, so social networks are created. They are defined as “collectivity of individuals among whom exchanges take place that are supported only by shared norms of trustworthy behavior. Certainly, if firms could innovate without sharing knowledge then we might expect them to locate in geographic isolation” (Feldman, 2000: p.387 in Clark et al., 2000).

It is clear that spatial proximity is a precondition in accessing knowledge and generating the spillover effect. The model of endogenous development (Romer, 1986) explains that if firms invest in technological knowledge then the knowledge automatically spills over. Technological change is an endogenous process since it is based on the allocation of the economy’s resources and influences development.

Spill over is a key characteristic in the research and development (R&D) process. It is designed in a linear “dynamic paradigm” which takes into consideration the specific basic research procedures that are stimulated by technological problems emphasized by applied research and development activities.

This linear paradigm presents the flow of knowledge from basic research to development with feedback and in each stage knowledge production is caused:

**Figure 2.2** R&D structures models



Source: Denti (2009: p. 216 in (Chapter 12) in Capello and Nijkamp, 2009)

According to Denti (2009: p.213):

Basic research is: “systematic study directed towards greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific application towards procedures and products in mind”. Applied research is: “the necessary knowledge for determining the means by which a recognized and specific need may be met and research projects which represent investigations directed to discovery of new scientific knowledge and which have specific commercial objectives with respect to either products or processes”. On the other hand, development is: “a systematic application of knowledge towards the production of useful materials, devices, systems and methods to meet specific requirements”.

A place is functional because it is a knowledge creator, appropriator and absorber and finally transforms into innovation. Knowledge is “spatially sticky” as it exists where businesses and people are agglomerated in space. Specifically, the knowledge generated through patents, investment in technology and the ability for research and development. The part of human capital knowledge is localized because of the “clustering process”, where all humans that are knowledge intensive are agglomerated in the same place, due to the attractor effect. The emergence of the knowledge economy refers to cumulative location.

Especially, “knowledge intensive labor is attracted to places where knowledge dependent firms are located; and firms with knowledge dependent activities are attracted to places where knowledge intensive labor resides”. Knowledge is a local asset that disseminates in the region and can be shared locally by firms and stakeholders. In addition the emphasis is on the place’s ability to rapidly generate, absorb and transform knowledge into learning in order to encounter current challenges and changes (Johansson and Karlsson, 2009: p.240 in (Chapter 13) in Capello and Nijkamp, 2009). The next section defines social capital as the main resource to integrate, to put in motion and coordinate the multiple attempts at economic development.

### 2.3 SOCIAL CAPITAL AND LOCAL DEVELOPMENT

In the future, contemporary economic development deserves closer attention paid to the role of social capital. Several academics have already emphasized the role of social capital in local economic development processes. Its role in development is the collective “intelligence” and capability to learn and adapt effectively to change (Cooke and Morgan, 1998 in Pike, 2006: p.92). In social capital, networks of associations are created in order to bridge the gap of differentiating principles of shared social identity.

“In a way both compact and capacious, the concept of social capital boils down to networks, norms and trust. Upon inspection, networks prove dense and valuable, norms pervade individual actions and social relations, and trust appears psychologically complex . . . [Thus] social capital is complexly conceptualized as the network of associations, activities, or relations that bind people together as a community via certain norms and psychological capacities, notably trust, which are essential for civil society and productive of future collective action or goods, in the manner of other forms of capital” (Farr, 2004: pp.8-9).

In the process of local economic development, social capital is a more realistic value and it is a more logical response to individual logic. It depends on the perception of local stakeholders of which mutual cooperation is necessary in order to achieve personal goals as well.



Each stakeholder, in fact, see the place differently and have different strategies, and inevitably detected asymmetry between them, due to differences in power, prestige, resources, and leadership, can make the participatory process especially difficult. However, in some cases, individual strategies lead to a common platform, where cooperation is identified intentionally when the targets, such as the quality of the place is considered a common interest (Canzanelli, 2001).

“The ability of people in working together for a common objective and in an organized and voluntary manner, sharing rules and values able to subordinate individual interests to collective ones, constitute the social capital for local development initiatives” (Canzanelli, 2001: p.12).

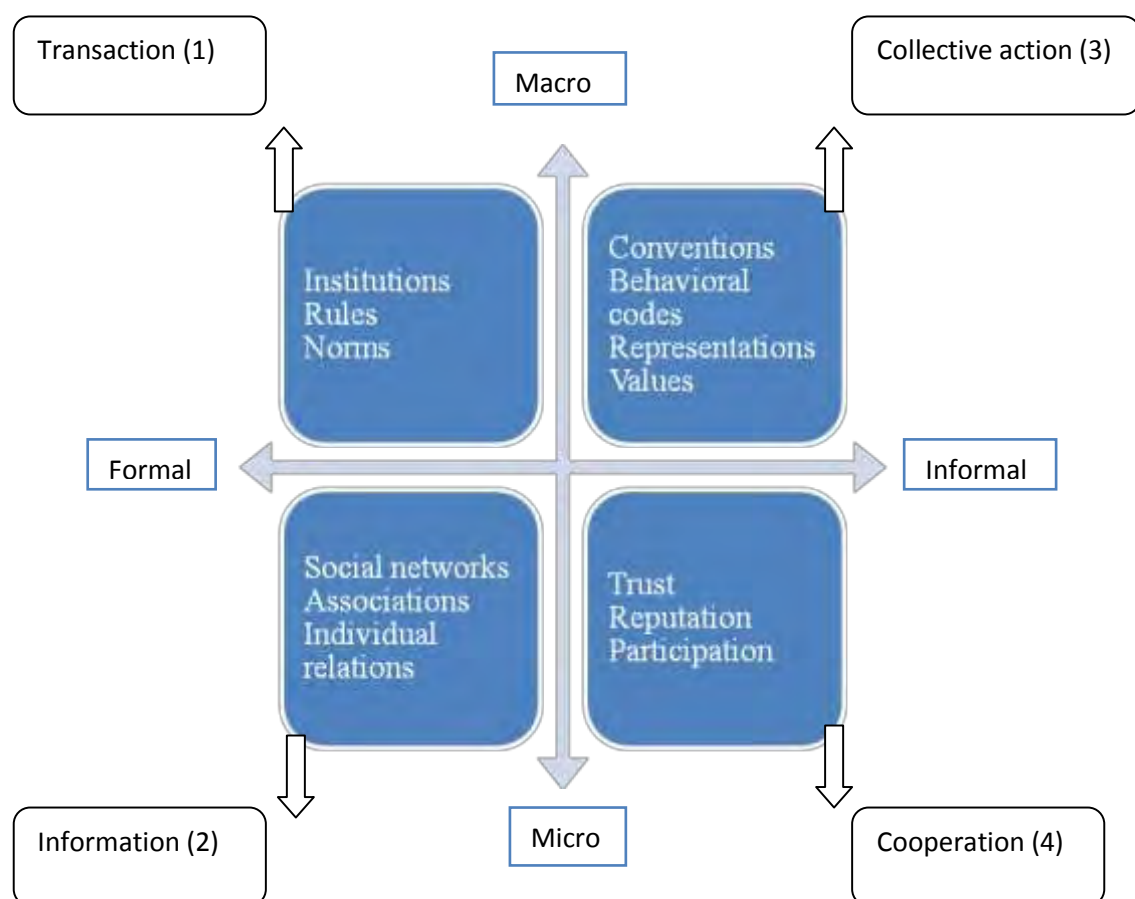
Cooperation is a learning process, which differs according to the case, and begins under different conditions. This learning process uses instruments and tools to manage a long-term, permanent path, beyond cyclical factors, and more generally produced by special conditions of threat or risk to the place. Although market mechanisms are characterized by the lack of coordination between the decentralized actors, hierarchical governance is based on government as an independent governance actor. The new forms of governance are characterized by loosely coupled interactions between private and public actors, in order to create structures in the policy area. Government operates as a generator and impulse mediation, promoting a debate-oriented industrial location policy. Governance mechanisms between markets and hierarchies rely on a conjugate of the logic of free market mechanism and hierarchy, a statistic form of governance (Canzanelli, 2001). Generally, the social capital formation has a time cost, but the governance depends on it. Participatory governance enhances the efficiency of public and private sectors. The new social dialogue augmented from territorial coalitions. These coalitions are between places of production, knowledge, research and all stakeholders engaging in the society. Within this environment, cities extract and allocate resources to enable them to compete (Canzanelli, 2001).

Camagni (2009: p.124 in (Chapter 7) in Capello and Nijkamp, 2009) defined social capital:

“As the set of norms and values which govern interactions between people, the institutions into which they are incorporated, the relational networks established among various social actors, and the overall cohesion of society. In a word, social capital is the “glue” that holds societies together”.

Social capital is an asset that accumulates at any time and produces a benefit flow to society as institutions; behavior, values and trust are blended, facilitating exchanges and innovation at place. For a better understanding, Camagni (2009) has designed a chart with dimensions, forms and roles of social capital:

**Figure 2.3**



Source: Camagni (2004: p.126 (Chapter 7) in Capello and Nijkamp, 2009)

It presents the two dimensions of social capital: the micro – macro and formal – informal. The Macro dimension contains “the rules of the game in a society, or, more formally, the humanly devised constraints that shape human interaction” and may be formal or informal. The micro-formal dimension contains the social actors’ ability to build organized structures and systems in order to interact with each other. To the micro-informal component belongs all the non-structured forms of individual participation in public and collective choices and the building of reputation. The objective of the first (1) box is to decrease transaction costs; a favorable business environment it has created, which benefits local firms and improves attractiveness for external firms. Box (2) below aims to increase the availability of information. Moreover, common values (3) box permits the ex-ante coordination of individual decisions so as to undertake the advantages of economies of scale, purpose and complementarity. Coordination facilitates the collective learning within the local labor markets and improves their knowledge and skills. Reputation, which is the last (4) box, allows easy exchanges and partnerships among public and private groups (Camagni, 2009: p.125 in (Chapter 7) in Capello and Nijkamp, 2009). It is important to note that social capital, in terms of trust, a long run perspective, authority and discursive rationality, is an intangible and non-reproducible resource (Lundvall and Maskell, 2000: p.367 in Clark et al., 2000). Therefore, social capital forms the trust and cooperative attitudes to local community. It can also be understood as an intangible resource for collective actions and may result in widespread economic and social prosperity.

## 2.4 CREATIVITY AND LOCAL DEVELOPMENT

In today’s modern European society there is a burning social debate over the issue of where and how creativity and knowledge could be established. The regional competition has grown rapidly for economically successful locations. The main sources of “knowledge” and “creativity” are becoming more relevant as major location factors. A significant element for regional competitiveness is the pool of qualified workforce and entrepreneurs. Nevertheless, the main question, which is remaining unanswered for urban planners and policy makers, is how to accommodate locally knowledgeable intensive workers (Lange et al., 2010).

The idea of the creative city serves as a future benchmark for local economic development. By the existing literature (Florida, 2002; Landry, 2000; Scott, 2006), it is realized that a creative city is associated with urban development, creativity and innovation. Indeed, European cities are in the process of a socio-economical transition of the inner space. The aim of the present section is to discuss the notion of creativity as a major keyword in city planning and place marketing policies. Secondly, it is given a particular emphasis to the idea of the creative city.

Creativity is a psychological phenomenon, an aspect of behavior that has particularly occupied the sectors of education, psychology and arts, and recently the social sciences' sectors. One of the most popular definitions of this term is "the ability to repackage or combine knowledge in a new way which is of some practical use or adds value". This meaning has to do with innovation and self-expression, "uncommon responses, novelty, flexibility and fluency", that is learned from "exploring, manipulating, questioning and experimenting" (Mouly, 1968: p.403 in Higgins and Morgan, 2000). It is related with open minded human beings, tolerant in doubt, self-confident and with the ability to take risks.

In general, it is the sort of behavior and attitude that mobilizes all brain's functions (especially the right hemisphere<sup>1</sup>), triggering their imagination to think new ways and ideas (Van Oech, 1990: p.6). He interprets innovation and creativity as "it's easy to come up with new ideas; the hard part is letting go of what worked for you two years ago, but will soon be out of date" (Van Oech, 1990). This term appears to be the exploration of a new perspective, the discovery and recommendation of new ideas, mainly a capability that can lead to effective solutions in planning. Also, Garavan and Deegan (1995) point out that creativity is the necessary ability and competence for the development of innovation.

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<sup>1</sup> For more information see: Allan N. Schore (2000): "*Attachment and the regulation of the right brain*", *Attachment & Human Development*, 2 (1), 23-47.

Higgins and Morgan (2000) conducted a survey in the United Kingdom and revealed that in organizations employers often link creativity with conflict resolution, overcoming obstacles, taking initiatives, strategic thinking and capability for synthesizing. Generally, this can be fostered through “empowering management ethos”, employee growth actions, appraisal systems, training programs and schemes such as investors in people. Creativity and innovation are characterized as positive elements for planners because they pursue consciousness, joining the list of necessary skills, qualities and capabilities. These ideas can affect overall curriculum design and organizational development as well as individual daily tasks. Further, a company can build an environment where people feel safe in generating new approaches to meet organizational objectives.

An important milestone of creativity is the active relationships and connections among: process and product; education and practice; individual and organization; teaching and learning. In nowadays competitive society, these two concepts expand employability and the capacity to accomplish planning objectives. For this reason, decision makers have to develop the capacity to creatively solve problems and dilemmas, as well as to utilize a clear strategic vision of what they want to achieve, utilizing a mindset which is capable of reframing questions in new ways. It would be useful to built confidence in people to do things, undertake initiatives, and the freedom of “learning by doing” (Higgins and Morgan, 2000).

Nolan (1987, in Garavan and Deegan, 1995) analyze five dimensions for creativity: (1) to consider creativity as a managing resource, not as an accidental fact, (2) to manage each person as a potential creative source, (3) to make the creative resource visible, (4) to direct the creativity towards the needs of the business and (5) to preserve a culture that encourages creativity. Nolan (1987), also, addresses that creativity is a process which cannot be taught. The analysis suggests a more systematic basis for the development of creative sources. According to Garavan and Deegan (1995) creativity is progressive learning, which is developed by a conscious effort to match each individual skills with a single path.

Thus, creativity in association with innovation are fundamental conceptions for pushing economic development at local level. The power of these two features is to implement policies and mechanisms to promote scientific innovation interface (social innovation); to highlight lifelong learning – education at all levels and in all types (non-formal, informal, formal); to invest in research and development and generally to create a strong viable social environment (Suciu, 2009).

In regards to creativity Landry and Bianchini (1995: p.18) state that:

“It involves thinking a problem afresh and from first principles; experimentation; originality; the capacity to rewrite rules; to be unconventional; to discover common threads amid the seemingly disparate; to look at situations laterally and with flexibility”.

Therefore, creativity is defined as the process of thinking through which combined imagination, ingenuity and inspiration achieve new ideas. Then the successful implementation of innovative ideas is essential to economic and social progress. The next section highlights the creative city framework presently forming new visions and local initiatives.

#### *2.4.1 CREATIVE CITIES*

Today’s global environment presses more and more societies to change orientation, to modernize and provide a common integration towards a shared future. The global arena is seeking by local communities to gain more innovative initiatives and action. For a community innovative action is when it is doing something out of the norms and customs, something new to those routines. In a city, innovation is targeted in economic regeneration rooted in distinctive local assets (location, geography, skills, knowledge, and culture). This is a “multi-faceted approach”, as it seeks to “retain and attract mobile workforce, investments and jobs; improve the quality of place via investments in infrastructure and amenities; and build local identity and pride through branding or place marketing” (Duxbury, 2004: p.3).

Moreover, it refers to some conditions and practices that each city has to follow in the planning process:

**Table 2.4.1 Principles and Practices for creativity and innovation**

1. “Each city and community is unique in its history, development, human and other assets, challenges, aspirations and opportunities.
2. Implementation of ideas and strategies in a community is an art, based on thick knowledge of, and sensitivity to, the complexity of a community’s cultural ecosystem, and the broader contexts in which it operates.
3. Faced with strong forces of homogeneous products and offerings, city development must be rooted in authenticity. Balance is key: for each standardized, mass-market introduction to a community, something should be done that emphasizes the uniqueness of the community.
4. Durable innovation depends on “thick” community involvement and shared ownership of processes and outcomes. Horizontal networks must be nurtured and supported on an ongoing basis across the community. Such networks, even within the cultural sector, often do not exist, or are fragile.
5. Small projects that are sustained over time can make a difference. Incremental change intelligently applied can lead to significant innovation”

(Duxbury, 2004: p.3).

Florida (2005: pp.49-50) states:

“In the knowledge and creative economy, regional advantage belongs to places that can quickly mobilize the talent, resources and capabilities required to turn innovations into new business ideas and successful commercial products”. This statement is strongly based on the key role of the community to attract and retain qualified human resource, which is crucial for city strategy.

The contemporary cities are increasingly following the new trend towards knowledge economy and learning and this has changed their competitiveness. Nowadays, they focus on strategies and policies that will make them creative. Nevertheless, these policies are not adapted to the needs and circumstances of each city, thus preventing the purpose for which they were created (Comunian, 2010).

That is why policy-makers focus on building creative cities in a more explicit way, by activating and connecting the skills of stakeholders (Mommaas, 2004).

Creativity is not only the answer for all urban problems, but also it is the precondition to find possible solutions. According to Landry<sup>2</sup> (2007), creativity opens a window of opportunity for urban revival. To think creatively, it does not mean that we all follow a certain way of thinking in the city, but rather each contributes by his own way of thinking and attitudes. In the city every citizen has something special to offer depending on their expertise. This creative boom requires combination and coordination of the actors' different abilities. The present is different from the past and unrelated to the future. In today's perspective is proposed a change in mindset; to see urban issues by an integrated approach, namely having both vertical and horizontal thinking; seeing the wood and the trees. The creation of a renovated place engages different creativities: engineer, social worker, planner, businessman, historian, anthropologist, architect, psychologist, artist, scientist, environmentalist, and ordinary citizens (Landry, 2007).

In many instances, the term creative city refers to a new "method of strategic urban planning and examines how people can think, plan and act creatively" (Landry, 2000: p.xii). Thus, the heart of creativity is the city stakeholders' role, owing to the fact that they are involved in the construction of city strategy and they undertake imperative actions for social and economic prosperity. To build a new local economy, stakeholders are needed to restructure the present and following renewal initiatives to foster the city's future.

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<sup>2</sup> Charles Landry is urban pioneer and thinker of the term "*Creative City*" and creator of COMEDIA, one of Europe's leading cultural planning consultancy. He describes himself as a "critical friend" to cities around the world, advising on how to harness their creativity and seize their potential. He is an urban strategist and leader, by helping cities to change their thinking and look at their potential imaginatively. See for more information: <http://www.charleslandry.com/index.php>



In this sense, the creative city is:

“part of a broader shift towards new forms of entrepreneurial urban management used to boost the image of ailing cities and persuade highly mobile global capital and professional and service classes that urban areas are interesting and safe places to live” (Harvey, 1989; Jessop, 1997 in Chatterton, 2000).

In addition, Chatterton (2000) explores the nebulous term of “Creative City Concept” and how urban renewal can be achievable. He claims that city’s stakeholders should identify their important role in strategy adoption, as they are associated with place management. The strategy of the urban regeneration aims to clarify in local stakeholders the necessity of adopting it, taking advantage of opportunities in this place and being able to recognize “locational advantages”, “natural resources” and “traditional skills” (Chatterton, 2000: p.391). The most useful is to recognize and nurture what the people can offer to their city’s regeneration.

“At the heart of a creative city is a creative citizen, and the creative citizen is encouraged to share the vision for the creative city laid out by the civic leaders” (Chatterton, 2000: p.395).

It is substantial for the creative city to motivate the city’s stakeholders for effective governance and applying city branding strategy that will expand the city’s competencies (Okano and Samson, 2010).

Under this framework, the question is why cities want to be creative. Nowadays, cities claim urban creativity, because inhabitants consider that this philosophy is the necessary response to their local concerns. These kinds of behavior have a chain reaction, since cities affect and are affected. Landry argues that creativity is like a rash and gradually begins to spread and diffuse. Every person is part of the creative game.

“Creativity is a mantra of our age, whether we are referring to creative individuals, companies, cities and countries; and even creative streets or creative buildings or projects” (Landry, 2007: p.3).

So, focusing on this tendency people feel that they will be credited with replies to issues, creating wealth via ideas. In order to achieve this, it is required, by individuals, a distinct cleverness, ingenuity, skills and inventiveness (Landry, 2007).

Being a creative city is not something that is taught, a standard formula that everyone can use it. Instead, it is a dynamic-powerful tool – an art – that tries to cultivate their individuals' skills. Creative city making includes:

“A willingness to listen and learn; the capacity to be open minded; to encourage enquiry; to reduce ego; to be more concerned with influence than power; to grasp the essence of different disciplines; to think across disciplines; to imagine the implications of the present for the long term; to understand the dynamics of change at a trivial and deeper level” (Landry, 2007: p.20).

In addition, Landry (2007) proposes some ideas to begin the creative city process. In particular, he refers that during crisis opens the opportunity to create expectations. This is the opportunity to rethink and reassess the utility of a place. Crisis triggers and activates individuals to change their attributes. It enables people from different sectors and for different reasons to be interested in a creative agenda.

Making a current situation analysis urban decision makers are trying to recognize the dynamics of a place and the obstacles by being able to assess which policies and practices are best to be followed in order to pursue creativity. Also, constructing its own strategy it is necessary to identify the diversity of actors and activities as drivers of creativity. The challenge is to work together, to achieve the city shared benefit by mutually exchanging opinions. Landry ends up that a person must never call his city creative, but let others judge whether his city fulfills the requirements to be creative (Landry, 2007).

Today's urban environment, the transformation focuses largely on the identification and exploitation of the unique social dynamics. The creative skills of local people, which help them accomplish their needs and expectations, are able to establish social, economic and cultural future. Global scene<sup>3</sup> facilitates an integrated approach, nevertheless going integral at regional and local level the profile differentiates, as many problems affect urban life.

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<sup>3</sup> For a more comprehensive view see: *The Impact of the Global Economy on Cities*, <http://info.worldbank.org/etools/docs/library/115504/toronto99/assets/t-cohen-mod01.pdf>

The contemporary city faces increasingly problems<sup>4</sup> (especially in current recessive economy), which show us the urgency to transform the landscape. The change in landscape lies in revision and reconstruction priorities, and understanding simultaneously local needs and global trend. The domestic problems of cities are differentiated in kind and degree; still these differences generate other opportunities and needs. Yet there are some common assumptions for resolving the domestic issues: observing these differences encourages mutual learning; the necessity to involve those affected by a problem in implementing solutions; for decision-makers to provide open-minded learning opportunities; and finding solutions that can be culturally, economically, socially and environmentally aligned. The tendency is to create a system that encouraged human ingenuity, imagination and resourcefulness, providing high standards of living to citizens (Landry, 2000: pp.20-23).

Amin and Graham (1997: p.411) depict the city as “the powerhouse of the globalized economy”. For making the city attractive, in a globalized political economy, the ideal tool is to identify social partnership and social cohesion in mobilizing the local assets. City’s booster succeeds, when local actors unlock the human skills and competencies, through the empowerment of autonomous groups and their engagement in decisions. It is constructed a city that economic activities are shaped upon self-motivation and collectivity.

It is clear that to think and act creatively is a distinct skill that enables individually and collectively to resolve important current issues and change the city image (Higgins and Morgan, 2000). Creative way of thinking is the fundamental feature for city planners and designers. It helps individuals see things from a new point of view and not be wedded to tradition. Tradition is undoubtedly an enduring value – the chain that links the generations together – and it is a prerequisite for the existence of the civilization. Nevertheless, tradition does not necessarily mean a step backwards, but keeps those elements that will help us to address new forms of life, because the past affects the present creatively.

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<sup>4</sup> On this issue see: *The Future of Shrinking Cities: Problems, Patterns and Strategies of Urban Transformation in a Global Context* (2009), Institute of Urban and Regional Development, <http://escholarship.org/uc/item/7zz6s7bm>

In addition, Higgins and Morgan (2000) address that planning is associated with new capabilities and creative thinking of professionals, since they are enabled to undertake effective regeneration energies. With regard to the planning practice, creativity is linked with the production of a value end product, which lies in designing and planning for a certain target group. Also, this term is linked with the process. It can reinterpret and redesignate the data in a more innovative way, beginning the negotiations and discussions (avoiding conflicts) in order to respond to current dilemmas and challenges. Obviously, when a place is recipient and acceptable in changes, the creative thinking will radically improve the place quality. For place quality, city planners should work together, in partnership, so as to foster novel approaches by increasing the attraction of its locality (Higgins and Morgan, 2000).

Nowadays, urban challenges are creativity and innovative capacity, as the city's success depends on people. Individuals are the key asset for city planning (to tackle difficulties and failures). The point is that local actors must consciously integrate in the programming process. All institutions of the city – businesses, local authorities, customers – will be in partnership, making it more sustainable. City's potential is revealed by dedicated and committed people, who believe in what they do. So, stakeholders are given incentives to engage in cities activities, because they understand the potential benefits of innovative initiatives. These human initiatives have long term benefit, as they increase the attractiveness of a place, its competitiveness and quality of life (Hall and Landry, 1997).

In planning practice, creativity is defined as a combination of knowledge in a new way. In this context, it is revealed that cultivating creativity in people entails a conducive organizational culture within which this competence may possibly thrive. This culture should be empowering persons and giving the freedom and opportunity to think creatively within a “learning organization” where persons' creative competences are harnessed to achieve corporate goals. So, change and transition times are increasingly required to maximize both individual and organizational resources; i.e. the ability to innovate and be creative. The promotion of creativity is an ongoing process, a cycle that continually changes and evolves in terms of knowledge and skills. Essentially, fostering creativity is a “lifelong learning agenda” that highlights the individual's learning ability (Higgins and Morgan, 2000: p.120).

Furthermore, Suci (2009) stresses that the new urban economy is the foundation of the creative cities development. The purpose of a creative city is to make us think how we want to see the future city in which we live and work in. It is pointed the engagement of all citizens in creating an environment of innovation, research and development. Every modern city needs to attract and retain talented people to mobilize their ideas; efficiently allocate and use their resources; as well as diversify on how organizations are managed. At local level, creativity can help resolve urban problems and identify local needs.

Every creative effort invested in people, entrepreneurship and innovation targeting to make cities better place to live, work and play. A new proposal for today's cities is to change their attitudes, not to be stuck in the past, and via participatory procedures to verify a clear vision, priorities and strategies (Suci, 2009). Cities face several challenges due to the transition from industrial to post-industrial age and require being creative in thinking to address the current difficulties (Landry and Bianchini, 1995). There are three central components relating to the implementation of creativity in city planning. The first concerns the idea of creativity as a "toolkit" (Landry, 2000) for urban revitalization; the second is the belief that creativity flourishes in place with the exploitation of creative actions and industries; and the third component concerns the creative city as attractor of qualified human capital (Costa, 2008: pp.183-201).

The creative city paradigm is an influential concept in urban politics and acts as a leading form of entrepreneurial governance. It is clear that decision makers and planners of the creative city concept set the guidelines by building the urban strategy (Darchen and Tremblay, 2011). There are many authors that associate the creative city with culture and arts (Evans, 2009, 2003; Gibson and Klocker, 2004).

In particular, local decision planners increasingly want to strengthen the competitive position of their cities. It is believed by Miles and Paddison (2005) that the exploitation of culture is the key player for local economic development. During the transition, culture plays a key role. They suggest the "culture-led agenda", namely a creative agenda that fosters cities' plans. Within cities' suggestions will regulate the work of stakeholders in cooperation with the current government to promote cities as factors of local development.

They, further, define culture as the critical tool that expands the local prosperity and disseminates it to all citizens and they share a common identity. In the implementation of creative city strategies into planning practice, Darchen and Tremblay (2011), by their empirical research, revealed that the mobility of employees' knowledge depends on incentives that are offered by the city. Then, the location decisions of knowledge workers (scientists and engineers) are related with the job opportunities, the emergence of their capabilities and the quality of place.

Battaglia and Tremblay (2011) highlight three basic factors, which promote local development and competitiveness:

- Concentration (regarding proximity and agglomeration procedure);
- Specialization (regarding creative and competitive clusters);
- Innovation (regarding technological products, services, social networks and organizations).

City increasingly augments the knowledge of the spillover effect, because of the concentration of the geographic proximity of social relations, economic interconnections and infrastructures (Battaglia and Tremblay, 2011; Scott, 2006). Also, Feldman (1994 in Battaglia and Tremblay, 2011) claims that the three basic elements that give a specific character in place are: (1) proximity; (2) innovation; and (3) knowledge development.

Under this conceptual framework Battaglia and Tremblay (2011: p.5) proposed the "key factors of emerging creative cities in terms of clustering development process":



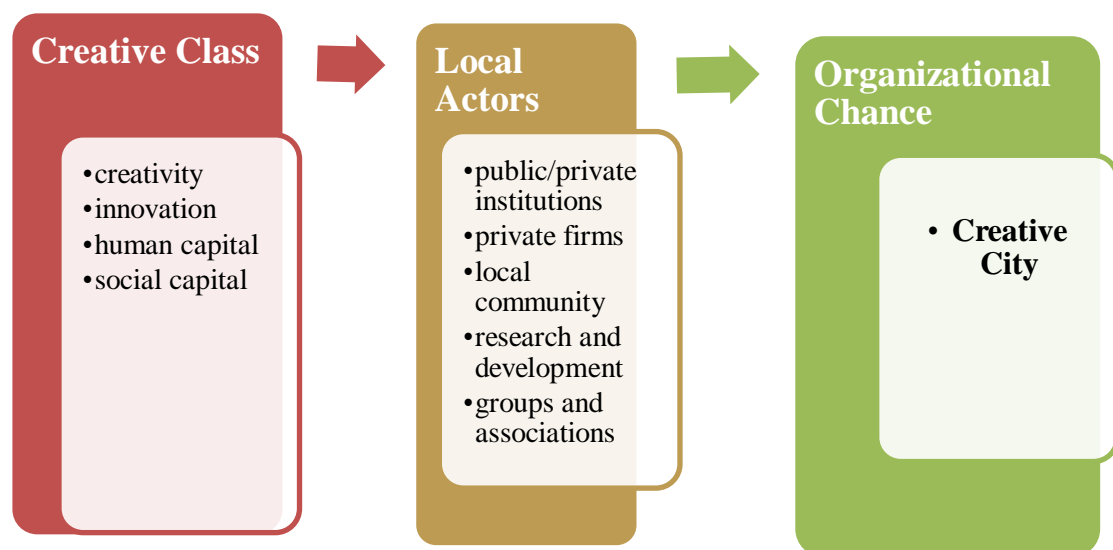
**Figure 2.4.1**

Source: Battaglia and Tremblay (2011)

This approach shows that the interactions and synergies among these elements strengthen the sense of creativity in the community. Creativity is defined not as the final outcome, but the feature that will give impetus to the city – the trigger- for urban renaissance. Urban changes lie on operations and functions, as well as on the recognition of the single identity of city.

In addition to this, it is considered a city governance framework, which local actors are motivated to interact via debating. Local players, cultural sectors and technologically advanced industries interact and establish cooperation and synergy's networks. Regarding these interactions, clusters and communities construct a “knowledge cluster space”, where local authorities rethink urban future. So, creativity is the guideline for the transition to a creative economy that relies on an innovation framework. Furthermore, urban progress is determined by the choices and options of local actors (Battaglia and Tremblay, 2011). A creative city is relied on interaction and synergy procedures:

**Figure 2.4.1**



Source: Battaglia and Tremblay (2011: p.6)

Indeed, it is shown a constructive model for better planning, for future strategies. Future strategies are based upon the networks and clusters synergy, where local actors' activities are conducted with cooperation and collaboration in order to achieve an integrated urban change. The city, actually, is a hub of activities, networking and creative inspiration. Creativity is a collaborative process that is revived through the creations of cultural clusters in space.

Local stakeholders within these clusters benefit from the “ecology of creativity”, namely learning via creative interaction with the local environment. The thriving agenda and initiatives within clusters result from collaboration and participatory management (Grabher, 2001).

Finally, regarding the vision of Charles Landry's creative city is that people will feel free, not constrained by the institutional framework that defines the rules of the place and through innovation they will differentiate or will change the structures and processes of a place.

#### 2.4.2 THE CREATIVE CLASS IMPORTANCE

The emergence of a post-fordist new economy focuses on information, knowledge and creativity (Scott, 2006; Florida, 2002). The real challenge is to build a system that focuses on human creativity. It is the crucial economic resource. In the current creative age the objective is to construct a more social system, harnessing human creativity, intelligence and knowledge. “The ability to come up with new ideas and better ways of doing things is ultimately what raises productivity and thus living standards” (Florida, 2002: p.xiii).

Richard Florida<sup>5</sup> discusses on his book “The Rise of the Creative Class” (2002), the need to focus on people, who do creative work. He mentions the term “Creative Class” (Florida, 2002: pp.67-82), where professionals, artists, scientists, and bohemia or tech-engineer people contribute to local development. Generally, creative class constitutes from those people, who are engaged in knowledge intensive jobs.

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<sup>5</sup> Nevertheless, it is worth stressing that the creative city approach is not entirely novel. He built his aspiration upon the urban American guru Jane Jacobs. She was his mentor (Hospers and Dalm, 2005).



The attractor factors of such class are “quality, creative, tolerant and exciting” location. Creative class includes two sub categories:

The “Super-Creative Core” is comprised of individuals working in areas such as mathematical and computer orientated occupations, architecture, engineering, social sciences, education, and the arts (Florida, 2002: p.328). Subsequently, it is what Florida refers to as “Creative Professionals”: those working in management, business and finance, legal, healthcare, and high-end sales. The creative class is drawn to a “more organic and indigenous street-level culture” in bohemian inner city areas that are perceived to be racially mixed and tolerant (Florida, 2002: p.182).

The creative class is mentioned as the key driver of innovation, because of their activities. They disseminate innovation and knowledge across the community. These people are highly educated, with diverse interests, education and culture. Also, they are open-minded and have expanded the sense of shared initiatives. They are engaged in social groups and share “tastes, desires and preferences” (Florida, 2002: p.68). They are coherent group of people, who have common traits and concerns. So, they are more flexible in making decisions and at the same time in creative problems solving, via their profession, their high degree of formal education, their activities and knowledge. They earn their money by means of creative thinking, designing and producing. They are looking for authentic places that nurture creativity that is the ability to do new things with existing knowledge. This is the reason why they are considered as attractors of creativity and innovation.

Moreover, Florida states that it should be fulfilled the “three T’s model”, namely “Technology-Talent-Tolerance” (Florida, 2002: pp.249-266) for urban success. Each city can be creative, if it is flexible to changes and acts as attractor of talented people. Florida’s thinking (3-T’s) is deemed as an inspiring idea, putting people in the core so as to refresh urban policies. A survey reveals that high tech and innovation industries are strongly linked with locations of the creative class and talent. Talented are considered people with a postgraduate degree and above.

He points out that economic development is closely associated with concentrations on highly educated people. So, a place with high density of educated people is related with clusters of innovation industries (Florida, 2002: p.252). “The new outsider” is a tolerant place that will be open to “Melting Pot, Bohemian and Gay index”. Open places without entry barriers, which highlight shared things and joint activities. Cities that tolerate “difference” are perceived to be attractive to talent and simultaneously to attract high tech companies. A place should fulfill all three characteristics, because each separately cannot stimulate economic prosperity. Creative class prefers a place that is open to new ideas, diverse and tolerant (Florida, 2002: p.249). It is stressed that a place with openness and forbearance of bohemians, gays and immigrants, are claimed to be attractive to the creative class (Florida, 2002: pp.249-266).

“The basic notion behind all of this refers back to the classics of urban sociology, notably Tonnies (1887, 1957), to the effect that there is something about a climate of openness in cities that frees individuals from the chains of tradition or anxieties about being judged, and that encourages people to be more imaginative and inventive” (Storper and Scott, 2009: p.150). A further important milestone that Florida highlights is the creative interaction. It is determined basically by the co presence and congregation of creative people in city. Social interaction among people can lead to social vitality (Florida, 2002: pp.225-226).

“The notion that interaction among individuals leads to positive growth effects is, of course, consistent with the wider literature on learning and knowledge spillovers in local labor markets. Most research on this matter suggests that people learn from one another within structured production communities, as represented for example by distinct spatial clusters of employment or patenting activity (e.g. in information technology; pharmaceuticals/life sciences; financial services)” (Storper and Scott, 2009: p.149).

## 2.5 CONCLUSIONS

In this chapter, the theoretical framework of the most important local development theories (LED) has been outlined, in order to explain how and why things work in this way. The main issue was to clarify what the forces, processes and implications are for local economic development. The literature identifies that local economic development is a set of activities, which are based locally, mobilizing local resource and skills, promoting economic diversification, training and fostering new forms of organizational development. In parallel, the key aspect that emerged from this analysis of the literature is that knowledge, social capital and creativity act as contributors to local economic development. Strategic city planning is based on concept of the endogenous processes, functions and resources, which as a “whole” characterize and shape the city’s identity. The creative city approach is defined in order to explore how people can (individually and collectively) think, plan and act creatively within the city. Creativity is a prerequisite of sustainability. Through creativity identifies the strategic actions and policies that will deliver the reconfiguration of the urban landscape. More specifically, for the economic development, a place needs the knowledge or creativity of people and simultaneously the interrelated 3Ts factors - Talent, Technology, and Tolerance. It addresses how different knowledge is connected through social interaction and how this fuels the creation of new ideas and ultimately creative economic activity. The creative city is presented as a city that is attractive to, and populated by, a creative class who works in the new economy. The creative class suggests that the “regional economic growth is driven by the location choice of creative people – the holders of creative capital – who prefer places that are diverse, tolerant and open to new ideas” (Florida, 2002, p.223). Creative class is the magnet that hopes will draw in hi-tech industries and desires to find the right “vibrant place” to live. The implication is that cities must adapt themselves to the values and norms of the creative class. In modern urban society, creative class is the source of innovative energy and cultural dynamism. Florida’s belief is that cities with creative people and with an economy increasingly driven by creativity are those which succeed. A further important milestone, which is going to discuss in the next chapter, is the internal marketing concept as one of the core components for inspiring the bottom-up enforcement of city’s vision.

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## CHAPTER 3

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### 3 INITIATING AN URBAN DEVELOPMENT STRATEGY

This chapter will suggest using contemporary developments in marketing theory and practice, how stakeholders could be committed in coordinated actions to define the vision for the future of city. The purpose is to examine the literature on place marketing and branding. Next, the focus is upon the self conscious application of internal marketing to place as a powerful instrument of urban planning and management. Undoubtedly, the cornerstone of internal marketing concept is employee orientation. In this case, internal marketing is the mechanism that will trigger stakeholders to formulate a shared vision for their city. This chapter is structured as follows: the next two sections briefly discuss the main developments in the place marketing and branding literature. After that it is developed the internal marketing literature, by indicating how this concept could be applied in city.

#### 3.1 PLACE MARKETING AS A STRATEGY PROCESS

In recent years one of the most interesting fields of investigation is place marketing. Cities increasingly invest on strategic planning so as to become competitive and to promote a particularly attractive image to the external environment. It is well known that place marketing implementation involves the active participation of all cities' stakeholders. It regards socioeconomic development strategies, in order to fulfill the expectations of local stakeholders and beyond the expectations of target markets. The following chapter identifies the nature and the importance of place marketing strategy.

Cities are competing with each other so as to attract tourists, potential investors, students, residents, cultural events and other for fast, better and sustainable development. City marketing is considered as a scientific field, which defines the city as a product and its image. This procedure plays an important role between a city's potential and the use of this capacity for the benefit of the local society (Deffner and Liouris, 2005). Most of European cities use city marketing as promotional policy so as to support and reinforce their image. Simultaneously, city marketing is an essential tool for urban planning and management (Ward, 1998).

Nowadays, marketing has become a necessity process for the global competition of cities, such as tourist attraction, place branding implementation, or urban governance (Boisen, 2007). In addition, it represents an innovative philosophy with the objective of producing an exponential increase in the capacity of attractiveness of places (Metaxas, 2006).

Cities with a well known name create good opportunities to fix associations and to build a place brand. Additionally, cities play a crucial role in attracting new (domestic and foreign) enterprises and investors maintaining their industrial base and ultimately developing the tourist and business visitor industries (Berg et al., 1990).

“Place marketing is a process whereby local activities are related as closely as possible to the demands of targeted customers. The intention is to maximize the efficient social and economic functioning of the area concerned, in accordance with whatever wider goals have been established” (Ashworth and Voogd, 1990: p.41).

Places have the need to conduct promotional activities, so as to differentiate themselves from each other, to assert their individuality in pursuit of various economic, political and sociological goals. Every government attempts to shape a specifically designed place identity and after promote it to identified target markets (Kavaratzis and Ashworth, 2005). Paddison (1993) detected that places have adopted “targeted forms of marketing to bolster directly the process of image reconstruction” that are essentially different from the planning practice in cities.

Barke (1999) refers that places have created new forms of representation and this situation has led to major concern over the image of the city, since in some cases this process meant seeking to alter an undesirable image, while in others it entailed enhancing a favorable image. Marketing and place promotion are valid activities in order to create collective goals and practices in places and particularly a serious attempt to create a distinctive city image (Burgess, 1982). Place marketing, thus, is “a set of basic local economic development policies to attract new industry, provision of sites and premises, fiscal incentives and other policies” (Braun, 2008: p.33).

<b>Table 3.1      The most representative definitions of Place Marketing</b>	
Van den Berg and Braun (1999: p.993)	“City marketing can be described as the set of activities intended to optimize the tuning between the supply of urban functions and the demand from inhabitants, companies, tourists and other visitors”.
Kotler et al. (1999: p.125)	“Strategic marketing calls for designing a community to satisfy the needs of its key constituencies. Place marketing succeeds when stakeholders, such as citizens, workers, and business firm derive satisfaction from their community, and when visitors’ new businesses and investors find expectations met. [...] Place marketing means designing a place to satisfy the needs of its target markets”.
Karmowska (2002: p.139)	<p>“City marketing has an extremely important function to play in:</p> <ul style="list-style-type: none"> <li>▪ Attraction of tourists</li> <li>▪ Attraction of investment and development of industry and entrepreneurship</li> <li>▪ Attraction of new residents”.</li> <li>▪ Influence on the local community – internal marketing</li> </ul>
Braun (2008: p.43)	“City marketing is the coordinated use of marketing tools supported by a shared customer-oriented philosophy, for creating, communicating, delivering, and exchanging urban offerings that have value for the city’s customers and the city’s community at large”.

Source: Own processing

Moreover, a successful city marketing plan should be focused on the local distinctive characteristics of each place. Strategic place image management is the ongoing process of researching a place's image among its audiences, segmenting and targeting according to this specific perception, positioning the place's benefits to support an existing image or to create a new one, and communicating those benefits to the target audiences (Kotler et al., 1993). This strategic procedure of development planning requires knowledge (diffusion), market segmentation, and strategic analysis, direct contribution of inhabitants, co-operation and finally coordination between local authorities (Van den Berg and Braun, 1999).

The contribution of marketing is to organize effectively the use of the resources to achieve the overall targets. The central idea in marketing is to solve customer's problems by producing added value, while the creation of the customer satisfaction should be the responsibility of the whole city (Kotler 1997). Additionally, it is argued that the application of city marketing is a multi dimensional task. It is known that a city is not a company; the environment of a city is more complicated than firm's environment and the stakeholders of the city must understand the necessity of a strategic marketing plan (Kotler et al., 1999).

According to Kearns and Philo (1993) city marketing is the practice of selling places and entails public and private agencies who strive to "sell" the image of a particular geographically-defined "place", usually a town or city, so as to make it attractive to economic enterprises, to tourists and even to inhabitants of that place. Place marketing is a "...process of manipulation whereby urban bourgeoisies are seeking to mobilize segments of culture, history and locality in the competitive selling of places both to outsiders (to attract capital) and to insiders (to legitimate redevelopment)" (Philo and Kearns 1993: p.29 in Braun, 2008: p.46).

Summarizing, place marketing is a strategic process and refers to locations with particular characteristics and values (Metaxas, 2010). The most important is to define a clear vision that will combine the particularities of place with stakeholders' preferences. It is a planning procedure, which is based on two fundamental choices:

1. The satisfaction of expectations of the target groups, enterprises and inhabitants.
2. The satisfaction of expectations of the potential target groups, such as enterprises, visitors and investors.

Place marketing and especially place branding is the leading action so as to stress the local distinctive characteristics of a place. Moreover, it is an example of well-planned and implemented campaigns worldwide (Capik, 2007) for strategic planning policies towards urban economic development.

### 3.2 PLACE STRATEGY

In this section, we investigate the nature of place branding to consciously orchestrate the meaning of the place in general. Branding is considered as an extremely powerful tool of management, seeing that it adds value to customers and enterprises. This is a significant strategic asset, because it is associated with customer relationship management (relationship marketing) as well as it fosters enduring value for enterprises (Hankinson, 2010: p.18 in Ashworth and Kavaratzis, 2010).

The first concept of brand positioning was to create a convinced optimistic image in the mind of customers, so as to provide in their minds uniqueness, distinctiveness, preference and faithfulness (Knox and Bickerton, 2003). Each brand is linked in consumer's minds with a certain comprehensive way, which focus upon "an attractive set of strong associations" (Keller, 1998).

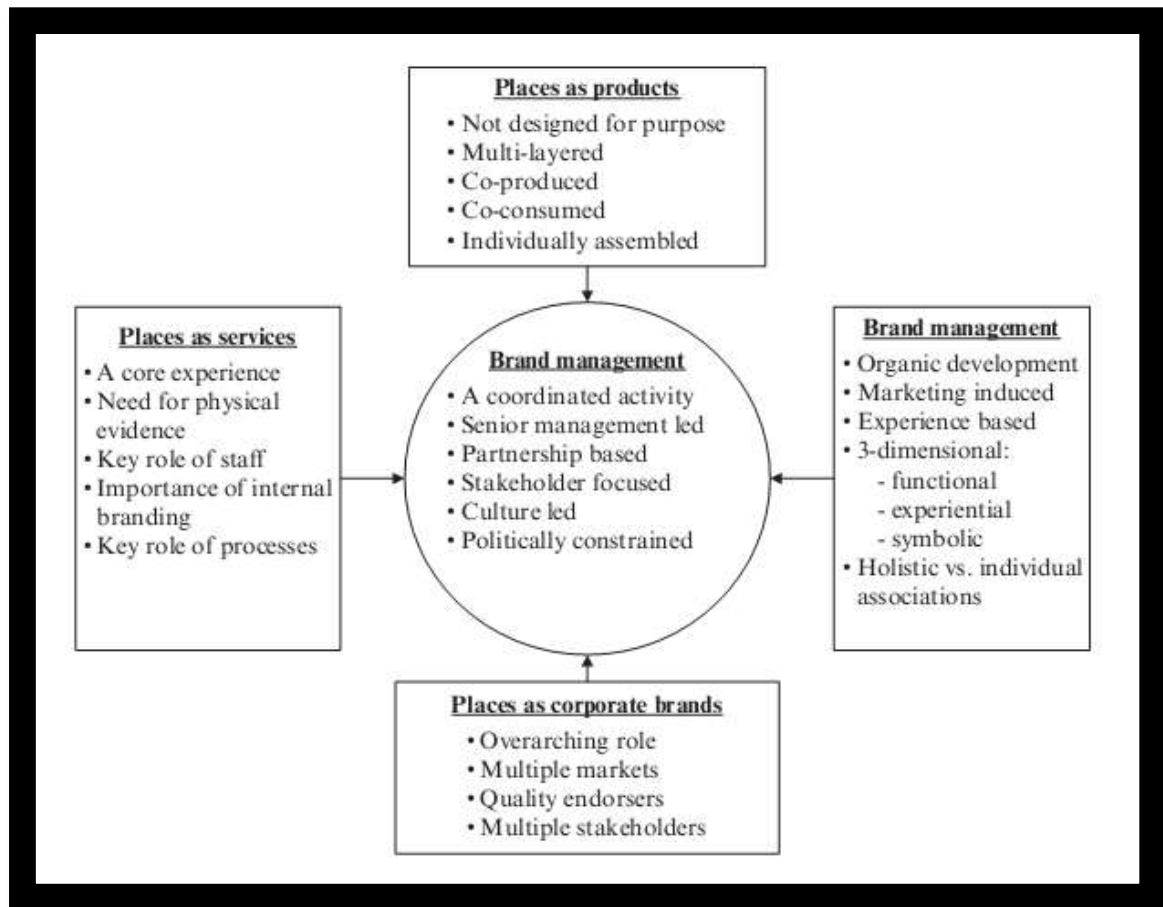
It is clear by the literature that the central activity for city branding enforcement is the internal coordination and partnership of all stakeholders in order to "find a common platform on which investment and promotional strategies can combine and maintain a consistent place image" (Hankinson, 2009). Fostering strong relationships and committed stakeholders, has as a consequence the establishment of a long term strategic city vision. Thus, for the city a well planned vision ensures commitment and alignment between the city's culture, image and stakeholders.



Under this condition, stakeholders must “develop”, “communicate” and “embed” the strategic vision within their interests and ensure that the performance of the city reflects their own benefits (Hankinson, 2007). City branding is considered a significant strategic tool, which cities (people) can be defined and used so as to attract positive attention. Branding is a strategic process especially when a city tries to renew and regenerate its image and its reputation.

To enhance this, it is clear that the first step is the development of a comprehensive brand strategy. For a place, brand strategy focuses on defining and developing a clear strategic vision, that it is relevant with stakeholders’ demands and actions. The branding strategy initiates a deeper shared vision that influences and shapes positive perceptions of that city, particularly for the future of the community and the potential. Generally, the essential for a city branding strategy is to attract and capture positive attention and to impress the outside world. Applying city branding to places, “become the use of place names as products and the use of place attributes as associations for products” (Kavaratzis and Ashworth G, 2005).

According to Hankinson (2010: p.27 in Ashworth and Kavaratzis, 2010), place branding concept is “a multi-disciplinary framework” as it is investigated by different viewpoints. In order to achieve greater clarity Hankinson (2010: p.28), illustrates in a table this multi-disciplinary framework:

**Figure 3.2 Place branding: a multidimensional framework**

Source: Hankinson (2010: p.28)

The primary perspective is place as product: a place is a marketable entity presenting “packages of service experience for consumption”. Secondly, he defines the place as an image (brand management) and the certain factors (functional-experiential-symbolic) that are joined to target markets, so as to create a unique and desirable image. The third perspective is place as corporate brand. It provides services to target groups. This stresses that place brand should be communicated collectively and individually by all city stakeholders, maintaining a shared set of associations and values. Fourthly, the built environment considers place as service: there is a link between services, people and processes. These resources ensure the adoption of an appropriate image place brand. Hence, the brand management is a coordinated process, as a consequence it is required long term relationships among city’s stakeholders in order to develop and adopt the appropriate city brand strategy (Hankinson, 2010: pp.28-35 in Ashworth and Kavaratzis, 2010).

Continuing the analysis, it is a useful condition for the creation of a proper city environment to focus on city planning, on stakeholder's activities and on the power dynamic of the governance capacity. Planning is considered to be the central function of place management, because it sets the precedent for the other activities to follow. The planning process refers to the determination of a vision for future city's performance and the allocations of resources required accomplishing it. The planning idea cultivates attention to policy makers and planners, encouraging them to do governance work. Healey (2010: pp.1-22), on her book (chapter 1) highlights the necessity of preparing local plans for place development. These plans contain valuable development projects with the appropriate resources allocation and distribution. The ideas and actions of planning policy are associated with the people and enterprises, which coexist into the city. Planning is the tool for city building and rebuilding, an attempt to "revive social and economic conditions" and to clarify the urban opportunities.

It is considered that cities facilitate innovation, production, trade, enhance the standard of living and provide goods and services. Cities serve as places of exchange, via facilitating transactions. It is stated as the concentration of people and economic activities and at the same time as flows of goods and factors of production. On the one hand, the benefits associated with living in a city are learning opportunities, education, consumption and creative thinking. However, another side of the issue is that living in city is associated with problems, such as congestion, pollution, crime and poverty (O'Sullivan, 2003: pp.1-16).

Moreover, cities are considered as motors of regional development and as centers of innovation, owing to the fact that they provide new business opportunities. City's attractiveness could be defined as the "ability to attract factors necessary for economic development" (COM(2006) 385 final). A successful city offers investors security, infrastructures and efficiency, and also puts the needs of its citizens at the forefront of all its planning activities. Cities are centers of excellence, bringing together innovators, entrepreneurs and financial actors. It is enhanced the active engagement of all these actors. They attract a rising tide of humanity, of people hoping for a better life for themselves and their children. Cities provide opportunities, economies of scale and a future with more choices (COM(2006) 385 final).

Humans coexist in places, interact each with other and commit transparency in policy making. All people in place “share some needs, responsibilities and entitlements to consideration”. Each person “has a set of interests and makes rational tradeoffs among their particular preferences. What one person prefers may be in conflict with the preference package of another, generating all kinds of tensions” (Healey, 2010: p.31).

A place refers to “the availability of particular material things such as affordable housing, available opportunities and facilities, well designed connections and so on. It also encompasses the meaning and the value that people invest in what is around them and their perceptions of their ability to influence surroundings” (Healey, 2010: p.33). So place quality is generated by the collective thinking about this place and daily experiences. The specific element that affects place future and quality is the “human flourishing”. This will be achieved if we give meaning to “who lives where, what they do, what they know how they get on, how they relate to each other, what they care about and feel that they need”. Hence, the most important milestone on living in a place is the impact of human exploitation of resources, because human factors manage and develop a place (Healey, 2010: pp.23-48).

In addition, during the exploration of how to achieve urban renewal Chatterton (2000) refers that city’s stakeholders should identify their important role in strategy adoption, as they are associated with place management. The strategy of urban regeneration aims to clarify to local stakeholders the necessity of adopting it, taking advantage of opportunities in this place and able to recognize “locational advantages”, “natural resources” and “traditional skills”. The most useful is to recognize and nurture what the people can offer to their city’s regeneration (Chatterton, 2000: p.391).

In many instances, at the heart of strategic urban planning is the city stakeholders’ role, owing to the fact that they got involved in the construction of the city strategy and they undertook imperative actions for social and economic prosperity. To build a new city economy, local actors are needed to restructure the present and follow renewal initiatives to foster the city’s future (Landry, 2000).

Furthermore, the planning approach should give attention to city stakeholders (people). According to Okano and Samson (2010), city stakeholders are the influential entities for cities such as business companies, customers, and employees and generally people who live and work in city.

It is obvious that different kinds of people coexist in the city and they are “linked to a cooperative craft guild”. Each city has its own values, norms, habits, routines, institutions and certain rules. Nevertheless, in the city local residents represent different modes of living and experiences with their own interests. Sometimes, there are conflicts and struggles between them, because each of them tries to protect his interests. However, since people are those who govern a city and regulate planning, they should set aside their struggles, and come closer and let analyze each of their point of view of the city’s future (Healey, 2010: pp.49-76). Only with planning and collective actions, places change and develop. City qualities are improved by coordinated collective efforts and appropriate governance infrastructure. During the phase of planning stakeholders will express their mental model about the city and their own aspirations.

“The word governance means cooperative rule, and is based on the recognition that the kind of government exercised heretofore by the state and other systematic organs of control is no longer feasible: it indicates that governance should be a joint undertaking by various stakeholders. In other words, global governance cannot be taken on only by the existing actors; interests do not necessarily coincide among the various stakeholders, such as individuals (customers, investors), families, enterprises (institutional investors), NGOs, the local government, the nation state, regions, international bodies, and so forth. A system of how to deal with this diversity of interests is what is needed” (Okano and Samson, 2010: p.12).

Therefore, city stakeholders should fulfill “joint activities”, via some kind of collaboration and encourage shared perceptions and feelings (Okano and Samson, 2010). Local actors create, share and utilize the knowledge asset, by interacting with each other, in order to develop the city’s capacity. The strategic branding for a city should successfully implement the desires of stakeholders. Then, city branding strategy requires deep contribution of city’s stakeholders and accurate command of governance rules (Okano and Samson, 2010).

In such situation, Healey (2010: p.13) in her book refers that:

“Planning activity and those who do planning work are caught in the centre of an ambiguous attitude. In particular, planning activity is judged both as a hope and a problem. The challenge of the politics of place is how to combine our own opportunities for flourishing with those of others with whom we coexist”. To avoid conflicts and to promote the opportunities and potentials of place qualities, city’s stakeholders should be oriented towards collective actions and place governance activity.

It is worth stressing the concept of city planning as an important precursor to action in urban reform. We argue that city planning helps stakeholders to undertake more valuable actions, because planning facilitates goal attainment in many domains of human action (Smith et al., 1990). In particular, Delmar and Shane (2003) argue that planning assists to make decisions more quickly than trial and error learning and facilitates in achieving concrete operational activities. As a result, planning enhances urban renewal due to the fact that it provides a framework within which subsequent action takes place (Ansoff, 1991).

As a conclusion place marketing and branding are considered as potential tools for strategic planning of European cities. Place marketing includes place branding, so as to enforce promotional actions, which enhance the image and the competitiveness of cities. Brand image is an important element for successful and effective urban marketing activities. Both are used alternatively and are difficult to distinguish. As already mentioned before, the urgent challenge is to integrate stakeholders in the marketing process, because a city is a set of attributes that are central to the mental representation of a city and differentiate it from other cities. As Hogg (2000) mentions that incorporating group norms in the own normative system reduces uncertainty and facilitates decision making. In the next section it is explained the contribution of internal marketing in emerging urban development strategy.

### 3.3 INTERNAL MARKETING AS AN INSTRUMENT

The issues discussed in this section concern the importance of internal marketing in the development of a European city. It is analyzed the influence that internal marketing can have on place marketing activities and especially on stakeholders' stimulation. The aim of this section is to outline how cities could utilize the internal marketing tool in order to enhance their local position and thereby European position. That's why we first discuss the internal marketing philosophy. Next, it is investigated how the internal marketing procedures could be contributed to shape a shared vision for the city and thirdly, it is examined whether its implementation functions in the field of city planning.

The theoretical background of internal marketing concept is analyzed and described, explaining its objectives and activities. Companies should realize that their employees are the main company's resource and the major element that contributes to the company's success (Dunne and Barnes, 2000). Customer's satisfaction is achieved by involving and contributing employees to the providing service. Organizations should give more attention in customer oriented employees, since they could enhance their competitive position in the marketplace (Varey, 2001).

The idea of internal marketing started to appear in the literature in the mid 1970's and since then whole communities of researchers have published several studies concerning this field. Most of authors demonstrate the importance of Internal Marketing, so as to improve the provided service quality (George, 1990; Gummesson, 1987; Berry and Parasuraman, 1991; Grönroos, 1985; Piercy, 1995). The internal marketing concept emerges through the necessity of quality of provided services on service firms. The focus is on the creation of a work environment, which accepts initiative and maintains the culture that the workforce and especially front line employees should follow and stays focused on customer's needs. In this part, it is provided a theoretical background and framework for internal marketing.

One of the first researchers of internal marketing is Berry (1981). He illustrates the concept of internal marketing, as treating employees as internal customers, and treating jobs as internal products that satisfy the expectations of these internal customers. Therefore, it recommends that an internal marketing plan tries to effectively market the job to employees in order to motivate them (Berry, 1981).

Among the first researchers, who advocated the internal marketing idea, specifically behaving to employees as customers, were Sasser and Arbeit. According to their viewpoint, for a company employees are the first target market (Sasser and Arbeit, 1976). A fundamental matter underpinning this viewpoint of the internal marketing is based upon the notion, which is addressed by George (1977) “to have satisfied customers, the firm must also have satisfied employees”. So, we realize that a prerequisite for a company to have satisfied customers is to have fulfilled employees.

Taking the point further, Rosenblunth and Peters (1992, in Ewing and Caruana 1999: p.18) refer that “the needs of the customers should come second to those of employees, as customer needs will only be successfully met after those of employees have been satisfactorily met”. In addition, Grönroos (1985) mentions that internal marketing is about motivating employees by active marketing-like activities, especially:

“...an organization’s internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market-orientation and sales-mindedness by a marketing-like approach and by applying a marketing-like internal approach and by applying marketing-like activities internally” (Grönroos, 1985: p.42).

Continuing, it is mentioned that internal marketing needs to be identified as an integrated part of the overall corporate strategy and all employees should be responsible for organizational performance (Grönroos, 1985).



Moreover, Rafiq & Ahmed (2000: p.454) overview internal marketing as:

“...a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally coordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees”.

This definition provides a broader concept, and focuses more on the application of internal marketing in organizations. Similarly, it is submitted that this definition takes into account the issue that any change in strategy is likely to require internal marketing's effort to overcome organizational inertia and to motivate employees towards inward requisite attitude. Also, they emphasize that the responsibility for the implementation of internal marketing programs lies on strategic management, since this would indicate to employees the levels of organizational commitment to internal marketing (Rafiq and Ahmed, 1993).

In addition, Ballantyne (2000: p.47) recommends that the potential resource in order to achieve internal marketing activities is interdisciplinary collaborations and co-operations. “Internal marketing is a strategic approach to challenging both the attitudes and behavior of staff towards an understanding of the centrality of the customer”.

Therefore, in order to achieve business performance, companies have to pay attention on the internal activities of employees. Nowadays, strategic management necessitates giving equal attention both to internal and external customers in order to bridge the gap between them (Wright, 1995 in Dolphin, 2005). Both of them (employees and customers) are equally vital to overall organization performance. Thus, through internal marketing, organizations will be able to overcome the existing inertia and all employees regardless of department and position would believe in the company's vision.

The process of internal marketing is related to human resources management, by creating market conditions within the organization in order to encourage the inter-departmental relationships, communications and interactions and to ensure that the internal customer's needs and wants are satisfied as well (Bekkers and Van Haastrecht 1993). Ewing and Caruana (1999) considers that the major role of internal marketing philosophy is to foster effective human resource management, which ensures the sensation of employees that management cares about them, and fulfills their requirements.

Furthermore, six common actions are detected by Reynoso and Moores (1996 in Lings 2000) on internal marketing campaigns:

1. "The creation of internal awareness
2. The identification of internal customers and suppliers
3. The identification of the expectations of the internal customers
4. The communication of these expectations to internal suppliers in order to discuss their own capabilities and obstacles to meeting these requirements
5. Internal suppliers should work to make the necessary changes so as to be able to deliver the level of service required
6. And finally, obtain a measure for internal service quality. Feedback should be given to internal suppliers if services are to be improved" (Reynoso and Moores, 1996 in Lings 2000: p.29).

This proposed campaign argues that if an organization succeeds in offering employee's job satisfaction and simultaneously job involvement, then they will become more motivated and responsible for fulfilling the expectations of the external customers. The application of internal marketing model is used to assess employees as internal customers, assess corporate strategy and jobs as internal products and, while addressing the vision of the organization, attempt to satisfy the needs and demands of these internal customers.

The basic objective of internal marketing approach is the effective internal communications among employees and departments. Information should disseminate in all departments, so as to avoid inter-functional conflicts motivating and encouraging employees to work together (Argenti, 1998).

The targets of internal communications are:

- 1) “to create the sense that employees are an important asset to the organization;
- 2) to improve morale and foster goodwill between employees and management;
- 3) to inform employees about internal changes;
- 4) to explain compensation and benefit plans;
- 5) to increase employee understanding of the organization and its products, organization, ethics, culture, and external environment;
- 6) to change employee behavior toward becoming more productive, quality oriented, and entrepreneurial;
- 7) to increase employee understanding of major health/social issues or trend affecting them; and (8) to encourage employee participation in community activities” (Argenti, 1998: p.201).

Moreover, Foreman and Money (1995) developed the argument that any organization should have an obvious vision with clear goals that employees can believe in. The organization’s internal marketing programs are created and implemented with the designated vision. An integrated and understandable vision can foster employee’s loyalty to the company’s goals with the intention of achieving internal efficiency and simultaneously external effectiveness. Business performance (profitability, market share & customer retention) correlates with implementation of internal marketing process, due to creating value of workforce.

Hogg (1996), and Rafiq and Ahmed (2000) stated that internal marketing process is the vital tool to obtain employee’s job satisfaction, involvement and organizational commitment. This means that when employees present a high level of commitment to their organizations, they are involved and devoted.

Therefore, employee’s commitment could be a bridge among individuals and their organizations. Indeed, internal marketing concept attempts to clarify that by having satisfied employees, the perceived value of external customers will be optimal. This assumption presents that an enterprise will be in a better position in order to create value in customers. Afterwards, fulfilling employee needs enhances the employee's motivation and as a result enhances the customer's satisfaction and loyalty (Ahmed and Rafiq, 2003).

Internal marketing philosophy is the integrated effort of employees so as to coordinate the system (organizations) with sub-systems. It generates involvement and commitment of all organizational resources such as people, equipment, activities, culture and information (Ahmed and Rafiq, 2003). It is suggested that, all individual and organizational functions, activities and communications that an organization uses to create quality in customers come together to create focus and coherence in corporate strategy implementation (Ahmed and Rafiq, 2003). Additionally, internal marketing is a duty (Kotler, 2003) thus enabling an organization to hire, train and motivate human resource, and making them desire to serve customers perfectly.

Ballantyne (2003) considers that internal marketing is a strategic function that creates value for an organization, for customers and staff as a learning process for renewal of knowledge. For this purpose it distinguishes two types of internal marketing activities: transactional marketing, where the interaction is limited; and relationship marketing, which uses interactive methods not only for the creation and diffusion of knowledge, but also for the creation of shared value for stakeholders. It is stressed that in a changing environment the choice of relationship marketing is more effective, but requires interaction methods based on cooperation, participation in order to break the mental barriers between departments and agencies and to develop effective learning processes of new knowledge.

**Figure 3.3**

The internal marketing cycle	1. Energising	2. Code breaking	3. Authorising	4. Diffusing
Learning activity (planned)	Learning how to work together on useful marketplace goals that are outside the bounds of any individual job description	Learning how to apply personal "know-how" in working together to solve customer problems, create new opportunities and change internal procedures	Learning how to review choices between options on a cost-benefit basis and get policy decisions from the appropriate line authority	Learning how to circulate and share new knowledge across managerial domains in new ways
Spontaneous community (emergent)	Two-way value propositions Trust in fellow participants	Creative dialogue Obligation to stick at it	Knowledge application Trust in management	"Customer consciousness" confirmed in actions
Knowledge renewal (emergent)	Common knowledge of the complexity of the task emerges between community members in open exchanges about their own work experiences. These interactions are understood as a movement from tacit to tacit levels of knowing	New ideas relevant to the task are discovered and a range of customer oriented internal change proposals are developed. This phase is understood as raising tacit knowledge to explicit levels with the added input of market based customer research	Cost-benefit knowledge is used to evaluate and rank the policy proposals for discussion with line and specialist management. These decision-seeking interactions are understood as a movement from explicit to explicit levels of knowing	Knowledge is codified into new designs, procedures and training programmes, then tested in action and integrated into the working ways of the organisation. This final phase of the cycle is understood as a diffusion of knowledge from explicit to tacit

Source: Ballantyne (2003)

According to his theory, the purpose of internal marketing is to achieve employee commitment and cooperation to solve problems arising in the market and finding opportunities. Thereby it is achieved knowledge renewal and ultimately increasing dissemination of new knowledge, through developing relations between employees.

Consequently, internal marketing is a management strategy that guides to enhance employee's abilities to fulfill commitment, as via internal products (jobs), organizations attract, develop, motivate, and retain skilled workforce (Berry and Parasuraman, 1991).

It is considered as a fundamental element in order to persuade employees that their job will satisfy their needs. Hence, it has a strong impact on the customer satisfaction, especially on services firms. Internal marketing's role is to ensure that the entire organization is able to come together for a common business objective.

Taking everything into account, internal marketing notion is critical to attain the corporate goals, to reach more satisfied, loyal and productive employees. It is needed to embody it in corporate strategy, to adopt it in organizational culture and align it to external marketing strategy.

### *3.3.1 INTERNAL MARKETING AND VISION*

By the existing literature review, we recognize three important elements related to Internal Marketing Concept: firstly - development of employees, secondly – rewarding of employees and thirdly – vision, which are related to goals and objectives of the company (Money and Foreman 1995; Berry and Parasuraman 1991). Companies have to ensure that all employees are informed and knowledgeable about the company's vision. In particular, it is concerned with management initiatives, goals outcomes, services and products.

Obviously, internal marketing is becoming increasingly crucial, as many companies develop programs and policies for enhancing employees' satisfaction, which offers external customer satisfaction. The vital role of internal marketing approach is that “it integrates business culture, structure, human resources management, vision and strategy with the employees' professional and social needs” (Budhwar, 2009). Thus, it is the key tool to communicate the firm's aims and changes to all stakeholders.

In fact, Money and Foreman (1995) argue that a clear strategic vision communicates well to employees demands and as well offer employees an idea – value, something that they can believe in. “A driven workforce galvanized by a cohesive and understandable vision can propel a company forward and improve its business performance” (Money and Foreman 1995).

In addition, as Berry and Parasuraman (1991) state, the firms that practice internal marketing effectively will:

- (1) compete aggressively for talent;
- (2) offer a vision that brings purpose and meaning to the workplace;
- (3) equip people with the skills and knowledge to perform their roles excellently;

- (4) bring people together to benefit from the fruits of team play;
- (5) leverage the freedom factor;
- (6) nurture achievement through measurement and rewards;
- (7) base job design decisions on research

The meaning of vision started to appear in the mid 1980 in the planning literature. Different stakeholders interpret and deploy city's vision differently (Shipley, 2000). Vision is the landscape of strategic policy guidance. In practice, it is suggested as a peaceful path to the future with certain priorities of action and effective working partnership (McCann, 2001).

Blanchard (2007) argues about the powerful impact of vision on organizational performance. The point is "where you want to go". Especially, he claims that:

"A vision builds trust, collaboration, interdependence, motivation, and mutual responsibility for success. Vision helps people make smart choices, because their decisions are being made with the end result in mind. Vision allows us to act from proactive stance, moving toward what we want rather than reactively away from what we don't want. Vision empowers and excites us to reach for what we truly desire" (Blanchard, 2007: p.18).

Further, Peter Drucker noted, "The best way to predict your future is to create it". To ensure that the vision becomes a reality, Blanchard (2007) recognizes three important elements: "how the vision is created, how it's communicated, and how it's lived". And so as to be achievable, it should mobilize all employees.

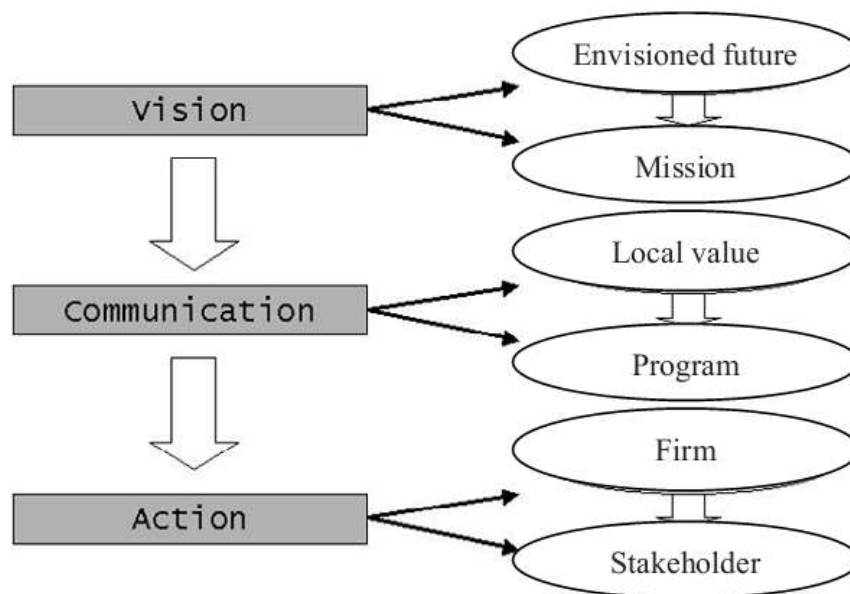
For this reason, De Brum (1998 in Mishra 2010) noted that the leading intention of internal marketing is to assure that all employees are informed about the organizations' vision, namely their management initiatives, targets, results, goods, services and target groups. Internal marketing acts the role of communicator of inner changes to all stakeholders, by creating awareness and appreciation of the firm's vision, as well as by integrating vision with the social needs of all employees (Mishra, 2010).

Morris (2007) demonstrates the concept of strategic vision and determines the need for developing it. This vision should be supported by top management. With an entire planning framework, top managers will build future directions for the business. Strategic vision utilization is considered a vital strategic element, since it provides:

- “A future direction
- An overall framework for an organization's mission and goals;
- The ability to solve more complex problems; and
- An energizing force for employee communication, participation, and commitment” (Morris, 2007).

In order to understand the strategic role of vision in ensuring clearly organization's direction, it is illustrated three elements that are associated with the corporate branding process:

**Figure 3.3.1**



Source: Jones (2010)

Vision is the direction of a desired future and is linked with the society. It is articulated an envisioned future. After, the identified vision should be communicated and adopted by target audience (stakeholders) and then the organization has to ensure that it is backed up via action. With this term are matched brand vision and communication with the value systems of the stakeholders since the brand creates meaning and value (Jones, 2010).



Any enterprise should have a defined vision, as employees, with a clear sense of direction, feel better about their job. Hence, vision provides the “umbrella” under which corporate strategy develops (Collins and Porras, 1991) and acts as a “guiding beacon” to stakeholders (Jones, 2010).

### 3.3.2 *INTERNAL MARKETING INTO PLACE*

It is consolidated the notion that cities are considered as a set of nested ecosystems. The activities of individuals and organizations are coordinated to specific systems with defined functions and purposes. Place serves as a system of stakeholders and commitments. The local development can be analyzed and interpreted based on the evolution of endogenous dynamics as an open system. As an ecosystem it analyzes the diversity of systems with different functional and morphological features in place. It depends on a number of internal processes and interactions with external factors. The perception of the place as a nested set of ecosystems may acquire operational efficiency when it is analyzed on the basis of activities, which are undertaken by the stakeholders, based on commitments (Newman and Jennings, 2008: p.3; Marcotullio and Boyle, 2003: p.13). Within an ecosystem understanding the dynamics of shaping the stakeholders’ activities is a prerequisite for effective accomplishment of internal marketing.

Hankinson (2009) stresses that in place management process has to achieve both internal coordination and cooperation of all actors to form a common basis and investment and promotional strategies to be combined by forming and maintaining a coherent image of the place. Stakeholders’ commitment is strongly supported by a clear vision for the place. A well-planned process of shaping the vision must ensure consistency between the image of the place, culture and strategic commitments of the actors. Stakeholders need to develop, to communicate, and consolidate in their individual strategies the place vision and guarantee that vision is reflected to them (Hankinson, 2007). A prerequisite is to align the values and aspirations of stakeholders with the culture of the place (Urde, 2003).

Stakeholders play an increasingly important role in the company's performance. The stakeholder orientation sees the firm as an organizational entity, whereby stakeholders are shown having different and diverse interests who are trying to achieve their goals. Moreover, it is argued that the values that govern stakeholders are essential to firm's success (Freeman, 1994).

Therefore, the company's executives should encourage and inspire stakeholders to engage between them, to create communities, through which stakeholders involved attempt to provide value to the company (Freeman et al., 2004). Stakeholders are those who are affecting and affected by company's activities (Donaldson and Preston, 1995; Freeman, 1994). As regards the place Woolley (2000) notes that stakeholders constitute the key to urban regeneration and city's objectives will be achieved through creative dialogue, cooperation and collectivity. In a city the most important, though, is to stimulate and to realize the importance of governance system, by encouraging mutual cooperation among stakeholders (Okano and Samson, 2010). As we have analyzed above, it is necessary for the configuration of city branding strategy to be partner based. In these circumstances any decision has to be made with the compatible combination of all stakeholders. The focal point is the coproduction of a clear strategic vision and simultaneously the co consumption of it using collective actions.

City brand strategy requires precise vision designation in order to avoid conflicts of interest among city's stakeholders. Hence, it is pointed out that:

“An urban strategic management system will expand the city's capabilities and tolerance, incorporating a city' social sustainability, embracing social inclusion, dynamic learning ability and smartness, and a vision that balances points of dispute” (Okano and Samson, 2010: p.15).

Thus, the term governance refers to the collective decisions and joint undertaking responsibilities of stakeholders. Local development is inevitably accompanied by the stakeholders' interaction as well as with the knowledge that is embedded (nested) in each individual.

### 3.4 CONCLUSIONS

In this chapter, we have summarized first the main developments in the place marketing literature. Secondly, we have seen that branding has become the basic tool for the creation of differentiate and unique place image. Simultaneously, we have also established the internal marketing concept that it is not intrinsically linked to making profit in businesses; rather it is linked to local economic development. Internal marketing has a dynamic role in retaining customers as well as employees, enhancing business image, implementing change management and ensuring the organization's achievement. Internal marketing is the coordinated tool that will stimulate and mobilize stakeholders to produce a shared vision.

Cities are seeking new roles (Hall, 1993) to perform as they move from the era of industrial development to the era of information, knowledge and communication. Cities are free to compete with each other, forming and improving their image in order to develop new activities with national and international reach, while developing high levels of creativity and innovative capacity (Jensen-Bulter, 1999). Any effort, nowadays, for city marketing plan, for place branding strategy and the implementation of creative city's ideas are aimed to produce and enhance attractive urban images. City is considered as an arena of activities with multiple and diversity ecosystems. Internal marketing is the "consultation toolkit", by fostering a more social behavior and more social consciousness towards a place strategy.

In the following chapter, this dissertation depicts empirically, if the bottom-up enforcement of vision is celebrated and displayed in the case of Volos, Greece. It evaluates the mindset of local stakeholders in Volos city, since they are a primary ingredient in the implementation and execution of local economic development strategies.

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## CHAPTER 4

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### 4 THE CASE OF VOLOS

In the literature review that revealed the development policies which instituted at local level as well as the factors that contribute to endogenous development were discussed. In this chapter we focus on the city of Volos, as a case study in the context defined above. Volos is the center of Greece with medium size population, has one of the major ports of the country, airport, and also with industrial, manufacturing, tourism and agriculture activity.

The city of Volos is one of the largest cities in the Greek area with a population that exceeds 144,420 residents according to census 2011. Volos constitutes the capital of Magnesia and located in the area of central Greece, and especially in the lowland part of the county. It is characterized by intense urban functions, a presence of industry and tourism, but also a remarkable number of young people, mainly due to the existence of the majority of departments of the University of Thessaly (Strategic Development Plan of Volos, 2006).

At the local level the northeast area is surrounded by the mountain of Pelion, south of the sea and west of the plains of Thessaly. It is built in Pagasitikos Gulf and extends to the edge of Pelion. The link of the city with the mountain and the sea has influenced radically the economic, social and cultural life of residents and has decisively shaped the evolution of economic development level of Volos. Volos is home to the third most important port in Greece, serving commercial and passenger ships, as well as a large number of fishing vessels, recreational boats and cruise liners. Symbol of the city is the Argo, the mythical ship world-famous through the legend of the Argonauts campaign and Jason to Colchis. Volos and the wider region had been grown as manufacturing and industrial centers, particularly in the past three decades. The city's economy is based on industry and services sector (Magnesia Prefecture Travel Guide, 2006).

#### 4.1 THE STRATEGIC DEVELOPMENT PLAN OF VOLOS

The Strategic Development Plan of Volos (2006) defines as central strategic option for the city, its transformation into a competitive, creative, open and sustainable city, which attracts businesses, visitors and people. Also, it should develop new specializations in dynamic sectors; it should have a diversified production base, which creates sufficient employment and incomes. It should offer high quality living environment and its inhabitants. Today, Volos specializes in services, tourism and higher education. Also, it maintains a strong industrial tradition and is developing a dynamic science base in Central Greece. The industrial sector of city presents strong specializations in the Food and Drink, Non-Ferrous Metals, Metals and Metal Products, Chemicals and Machinery sectors. Volos has the University of Thessaly, a dynamic research and higher education institution with Faculties in Engineering, Agriculture, Economics, Education and Humanities. Volos has a strongly diverse, rich, natural and built environment, which in many cases is characterized by high aesthetic value and may attract the location of productive activities and resources that are available to all sectors of the economy.

The development strategy is taking advantage of the diverse and dynamic economic base, the endowments and advantages of the natural environment, the quality of human resources, geography, accessibility and infrastructure in order to achieve internal social and spatial cohesion. The Strategic Development Plan depicts the internal strengths and weaknesses and the external opportunities and threats:

Table 4.1 SWOT analysis of Volos	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>▪ It has a favorable geographical location in the middle of the country, with good road accessibility to two major metropolitan markets.</li> <li>▪ Increasing trends in the tertiary sector.</li> <li>▪ Industrial tradition.</li> <li>▪ It is recognized as one of the leading tourist destinations and competitive.</li> <li>▪ The presence of skilled workforce and expertise that enhance the development perspectives.</li> <li>▪ The development of the University of Thessaly in Volos with a significant number of undergraduate and postgraduate study programs; the increasing linkage with the local economy and society, improve the quality and effectiveness of human capital and undoubtedly engaged in an positive effect of long-term.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher increase in the workforce compared with the employment rate.</li> <li>▪ Tourism is characterized by a number of structural weaknesses such as: small scale; high costs and high prices; limited range and quality of service; unsatisfactory value – quality; lack of qualified human resources; seasonality; and a low degree linkage of the tourist loop with the rest local productive system.</li> <li>▪ In infrastructures the region displays a number of weaknesses related to gaps and delays in the integration of national transport networks (E-65), the small ferry connections (at regional, national and international level), the lack of modernization of the railway track Volos - Larissa and the absence of rail link to airport New Anchialos.</li> <li>▪ The problems of accessibility in island regions during the winter, the lack of environmental infrastructure in many vulnerable regions and the uncontrolled solid and liquid waste.</li> <li>▪ High youth unemployment rate.</li> <li>▪ Deindustrialisation of the city.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>▪ The development of educational and research infrastructures by the University of Thessaly.</li> <li>▪ The utilization of New Anchialos airport.</li> <li>▪ The expansion to new markets in Central and Eastern Europe.</li> <li>▪ The European integration and internationalization of economic activities.</li> <li>▪ The development of the dipole of Volos - Larissa with complementary activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The competition between European cities and the absent of clear place policy.</li> <li>▪ The increasing liberalization of markets and international exchange in both European and global economy.</li> <li>▪ A continuous decline and shrinking of national protection policies of vulnerable industries.</li> <li>▪ Inadequate institutional and social framework for the development of flexible forms of employment.</li> </ul>

Source: Strategic Development Plan of Volos (2006)

The fundamental objectives of development policy are:

- To foster entrepreneurship, competitiveness, innovation and digital convergence
- To improve the accessibility and services delivery
- Protection and upgrading of natural, human and cultural environment
- Human resources development and enhancing of employment
- To improve the administrative competences of public administration and the structures of local governance
- Strengthening the interregional cooperation and spatial cohesion (Strategic Development Plan of Volos, 2006).

#### 4.2 METHODOLOGY OF FIELDWORK

The main purpose of this research is to investigate the views, attitudes, perceptions, and ideas of local stakeholders (attempting to become a clear identification of roles and their responsibilities on development issues). The kind of research that selected has the characteristics of qualitative research.

It conducted fieldwork research with scheduled in structured interviews, providing the ability to generate new questions either during or after the survey. The sample of this research concerns nine key players in the city's policy actions of which seven men and two women. The time required for each interview was on average 60-65 minutes. The interviews took place to the office of each institution, except two that took place outside. The interviews took place between May and June of 2012. The main objectives of these interviews are the recording of the perceptions about the city; their viewpoints for the role of city; their vision for the city; the critical resources that city could invest; and the other stakeholders that play an important role in the city.

The qualitative research is exploratory in nature. It refers mainly to “how” and “why”, trying to discover phenomena and relationships between them, causes, factors that influence people's reactions and results from the actions of othe people. The qualitative research, as a less structured method, explores the things in social context (in the city) and gives a higher emphasis on the subjective approach to human behavior.

This survey was based on semistructured interviews with open-ended questions. The order of questions varies from interview to interview. The structure is as much as possible more “relaxed” and each interviewee has the ability to talk freely about various facts concerning the general topic of the interview. The collection of data and information is based on the recording and notes. Certainly, I sought the permission from the interviewee to record. The respondent have the control of the recording and he/she stops the recording, whether it was necessary. It is used the recording method in order to provide more accurate and unbiased data. Also, researcher could hear many times the content; and these interviews can be a permanent digital audio file.

#### 4.3 INTERVIEWEES’ RESPONSES

The analysis focuses on three main directions relating to the advantages and disadvantages of city, the stakeholders’ assessment and their expectations about development policies.

In the first place, there was a relative convergence in the perception of **the city**. The characteristics of Volos are listed in terms of size, location, production and education benefited and historical identity. As the interviewees specify, there is a productivity level that contributes to the city, even during the crisis, as this “blessed” city provides a qualitative life to its citizens. Combining the modern and historical characteristics of the city, people have a harmony in daily bases.

On the other hand, the main disadvantage is that the city has not a specific orientation, a reference point that will make it special, due to the diversity of economic activities. Also, there is no clear “picture” of what the city should look like and the responsible authorities failed to make full agreement of the advantages. The current recession enhances the absence of a modern identity. Volos is a city without orientation, vision and certain positioning, because its people complacency in the strengths of the past.

The table below presents the assessments concerning the city's advantages and disadvantages as well as the opportunities and threats:



Table 4.3 SWOT – Interviews	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>▪ The geographical location (1,4,6,7,8,9)</li> <li>▪ The presence of the University of Thessaly (1,2,3,4,5,7)</li> <li>▪ The operation of new infrastructures, such as New Anchialos airport (1,2,4,5,6,8)</li> <li>▪ The utilization of European Union substantial resources in the current programming period (2007-2013) (1,4,5,6)</li> <li>▪ Primary sector, which still exists in the region (1,2)</li> <li>▪ Secondary sector, namely the industrial production, which for years formed the backbone of the economy and employment (1,2,3,4,5,6)</li> <li>▪ Tertiary sector, which constitutes the future (1,2,3)</li> <li>▪ The combination of all productive activities (1,2)</li> <li>▪ Cultural heritage (1,3,4,5,6,7)</li> <li>▪ Port of Volos (1,3,4,5,6,7,8,9)</li> <li>▪ Tourism (3,4,5,7,8,9)</li> <li>▪ Coastal city (5,6)</li> <li>▪ The Pelion mountain (4,5,6)</li> <li>▪ Commercial market (6)</li> <li>▪ Human resources - students - young people (6,7)</li> <li>▪ A fortunate city due to natural advantages (7)</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is no identity of the place (1,2,5,7)</li> <li>▪ There is no always the possibility of cooperation with other institutions - communication problems (2,3,4,5,7,8)</li> <li>▪ Different perceptions of the stakeholders (2,3,5,6,8)</li> <li>▪ There is not good connection between university and city (3)</li> <li>▪ There are problems of services delivery, such as the timetable of stores and museums (3,4,7)</li> <li>▪ The exploitation of the port is not adequate (4,7)</li> <li>▪ Deficient of public transports (4,7)</li> <li>▪ The inability of a local development strategic planning at all levels (tourist, business and services) (7,9)</li> <li>▪ There is the absent of vision, consensual strategic planning and a strong leadership (7)</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>▪ Further development of the University of Thessaly especially in technology and research sector (1,4,5,7,8)</li> <li>▪ Qualitative Tourism (1,3,4,5,6,8)</li> <li>▪ Job opportunities through social enterprises (2)</li> <li>▪ The creation of cooperatives (2)</li> <li>▪ Gradual transformation of the New Anchialos airport in the Central Greece's airport (2,3,4,5,6,8)</li> <li>▪ The production and export of local quality products (2,4,5,7)</li> <li>▪ Potential dialogue - a debate between the various stakeholders (2,7,8,9)</li> <li>▪ The utilization of cultural wealth (1,3,4,6,8)</li> <li>▪ Configuring the seafront (3,7)</li> <li>▪ Improving quality of life (3,4,6,7,8)</li> <li>▪ Promoting and enhancing the dynamics of dipole Volos - Larisa (1,3,4,5)</li> <li>▪ The creation of Marketing Office, as main coordinator of all local activities (3)</li> <li>▪ Investing in entrepreneurship, innovation and new technologies (4,5,7,8)</li> <li>▪ Upgrading of port (5,4,6,7,9)</li> <li>▪ Industrial activity oriented in industries with high market capitalization (5,7)</li> <li>▪ Investing in renewable energy (3)</li> <li>▪ Infrastructure projects (4,6)</li> <li>▪ Privatization of public infrastructures (7)</li> </ul>	<ul style="list-style-type: none"> <li>▪ The current economic crisis (1,2,3,4,5,6,7,9)</li> <li>▪ A bankrupt policy and perception of how things are run (1,7)</li> <li>▪ The inability of the state to respond to key roles (2)</li> <li>▪ Conflicts of different function uses - corporatist rigidities (industry - port - transportation / travel) (1,2,7,9)</li> <li>▪ The connection of city with the rest of Greece (3,5,6)</li> <li>▪ Unemployment (7,8)</li> <li>▪ Deindustrialization, the closure of Small and Medium size Enterprises, and Commercial crisis (8)</li> <li>▪ The reduction of tourism (8)</li> <li>▪ The reduction of primary sector (non-certified local products) (8)</li> </ul>

Source: in depth interviews (2012)

The area of Pelion, where Volos is, has a natural beauty and the main characteristic that is apparent in the context of the interviews is the systematically effort to develop tourism. The Municipality of Volos has a policy in accordance with the principles of sustainable development. Any action which is aimed at improving the quality of life of local people and contribute to social and cultural development. The effort is Volos to become a destination and not a crossing city. As the interviewees specify, tourism is a developing economic activity in the region. The drawback is the absence of modern identity, which results that there is not specific orientation of productive activities. Also, any stakeholders' effort to modify the local landscape is often influence by personal aspirations, inertia and political expediency.

Through the interviews moreover recorded the opportunities that stakeholders are able to exploit in a long term sustainable development. The identification of opportunities reveal that stakeholders should become more extroverted in order to promote the city as an ideal destination, while upgrading the port, increasing the airport and putting pressure on central government funding for projects such as completion of the regional road and highways. According to their view, tourism is a priority in all its forms along with infrastructure projects. Towards this direction the region of Thessaly and the Municipality of Volos supports the infrastructure of New Anchialos airport, participating in major international tourism fairs, informing tourists for the city benefits and certainly the best possible absorption and utilization of resources of the National Strategic Reference Framework (NSRF), which is the only funding mechanism. Also, stakeholders emphasize social welfare, culture, the environmental issues, the development of entrepreneurship with innovation in local products and new technologies.

During the interviews is widespread debate about the construction of the marina and specifically on where it should be placed. Marina and especially the emergence of "yacht tourism" can accommodate all types of vessels from sailing yachts to mega yachts. Marina offers every modern convenience and comfort to yachters, whether shoring up or sailing away. It also features a dry dock and workshops for light boat repairs and maintenance, as well as refueling and waste removal facilities.

Providing a team of experienced marina professionals ensures the smooth running of all facilities and services. All these facilities could automatically be translated into jobs and the creation of a sustained image for the city. The debate is on three possible locations (Volos port-Soros-Anchialos). There are those who consider that if placed in Volos it could spoil the whole natural beauty and will pollute the city's environment. The development, operation and management of the marina project will change the face of Volos city.

In addition to the interviews took place an attempt to observe the reasons (directs and indirects) that are able to threat its sustainable growth and the city's welfare. The table revealed that the challenges of current economic recession are very large. The economic and social life and the development path tested and affected by the sad situation in which the country has come. In a negative national context, the overall effort for development and prosperity is becoming difficult. The current economic, social and political crisis is the absolute threat and should be tackled at centrally. As the interviewees specify, the current barriers are the economic situation. The city's need have changed because of that, and with the recession pushing the unemployment and the lack of incentives for investment, there is a need of growth based on the threats mentioned. This analysis can help place management make strategic decisions on what direction to take or how to improve existing city's functions. It is particularly helpful in matching market opportunities with the city's resources and capacities.

### **Do the Stakeholders contribute to development?**

The forceful stakeholders, who represent and reflect the dynamism of the city, are:

1. The Municipality of Volos
2. The University of Thessaly
3. The Volos Port Authority
4. The New Anchialos Airport

According to the research major responsibilities are allocated to the stakeholders whose responsibilities are reflected on the local growth. Such as:

As interviewees specify, the local municipality coordinates both the tourism and production activities as well as the catholic management of the region. Furthermore, the new airport and the port authority will contribute to the growth as major player to ease the transportation to and from the city. People expect the authorities to deliver high quality and European standard services in order to attract further tourism. The Association of Industries in Thessaly aims to contribute towards development of local enterprises and this is achieved by a variety of activities such as: analyzing, maintaining and promoting the financial and professional interests of its members; co-operating with local stakeholders and labor unions for the reinforcement of the social dialogue process; participation in national or international committees, councils, conferences and exhibitions; and developing of initiatives contributing to the economic and social improvement of local economy. The chambers of Magnesia and the national technical ones, alongside with the university, would further support this growth operation as they could bring more young professionals to invest and expand their businesses. Also, the continuous education provided by the university will enforce the business orientation of the locals and national students that would potentially be part of this development.

### **Interplay between stakeholders**

The city combines all those features that could make it creative and the stakeholders have goals and visions for the city; however their collaborations with each other are rigidities - barriers to progress certain actions. These individual behaviors, expressed by stakeholders, affect the actions and initiatives and general the city's progress.

From the interviews appear that the interconnection between stakeholders and their actions' is not integrated within a unified goal. Corporatist interests, improper attitudes, short-sighted sense, fear and prejudice, lack of information, inadequate communication between stakeholders and lack of consultation are some of the major issues that the city's stakeholders are faced with.

Most interviewees advocate the view that it should be done conscious in the city that it can afford to fight over trivial things and bump into corporatist inertia and political interests. It is needed to join their forces in order to enable them to plan and achieve the best possible in this harsh environment. Nothing proceeds if a social consensus is not assured. Everybody will help to overcome the current difficulties with patient and persistence. We must concentrate our forces to achieve the best (in depth interviews, 2012).

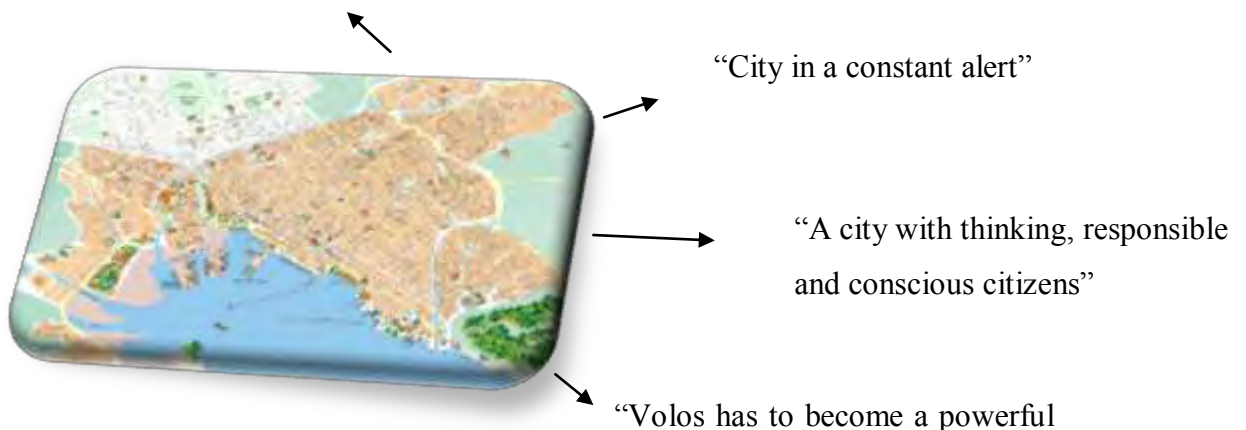
### City's Stakeholders' Vision

A further important milestone during the interviews was asked to mention their vision for the city. Some of their visions indicated below:

“A green, an innovative city,

a magnet for entrepreneurship

and technology development”



pole between Athens and Thessaloniki. Volos with Larissa should constitute a not competitive but complementary dipole in the center of Greece”

Source: Own processing

The main issue obtained out of the research was that the actual stakeholders see their selves as managerial pawns trying to turn the current city's amenities into holiday's facilities. However, there are not extended measures and actions taken to do so. For example, the local mayor wants to attract the alternative types of tourism, such as yachting, religion and sport holiday destination, but the Municipality did not have any plans of launching and promoting these changes.

Also, there has been alteration of the management for the construction of the facilities. When the mayor asked of what the municipality's actions would be the mayor answer that they are waiting for external investigation. However, there was no evaluating of the internal management plus no proposal presented to external investors. In other words, there are waiting for investors and tourists without knowing and promoting their capabilities. The following part attempts to record some personal suggestions.

### **What are the challenges?**

A further important milestone is to emphasize in three features (knowledge – social capital – creativity) that are preconditions for shaping a learning city, and simultaneously constitute the challenge to improve the quality of life. In recent years they have witnessed failed attempts of local manufacturing sector to develop innovation capabilities and to achieve the connection with current trends of globalization. As a result, the manufacturing sector is continuously decline as an economic activity; however the tourism and services sector is expected to follow an upward path. In addition to this, the maritime sector and logistics seems not to have harnessed properly or at all, since has not become even comprehensible, the particularly favorable location in the city and that the transport / maritime sector is a sector of high technology intensity.

### **Knowledge**

The aim for University of Thessaly is to turn into a campus with research institutes, by reopening and further development of the Technology Park of Thessaly. Furthermore, the input of new faculties in the existing operations of the university, such as an art school could embrace the diversification of the incoming student and their contribution to the city. The strategic plan is to create a Vibrant Campus in the city, where there will be collaborations between research centers and departments. The aim of cooperation is not only scientific cooperation as well as the development of coordinated action in support of arts, culture and the cultivation of a culture of knowledge.

Also, it is fundamentally the collaboration of local business and industries in general with the campus community, in order to provide fundings to aid researchers and to encourage young people to engage in research. Moreover, it is fundamentally the meaningful relations development of research and production, supporting joint enterprises activities with the University of Thessaly in order to develop products and systems.

### **Social capital**

Volos so as to become a learning city requires an analysis of social factors, which may facilitate the success of this perspective. It examines whether there are strong social ties among people and between organizations; whether there is a set of principles that promote cooperation based on the values of honesty, commitment and reciprocity. These ties represent social capital. The city consists of small social subgroups, such as family or political parties. Social capital is transmitted from generation to generation in the process of socialization and relies more on habits rather than on logic. The Municipality of Volos may contribute to increased social capital with the creation of institutions (legal), fostering a secure and stable environment in which citizens and organizations are active. Also, towards a healthy society should be eliminated the government intervention; and to strengthen the civil society should be supported the partnership networks and should be created non-governmental organizations.

As people interact more frequently with those who are physically near to them their cognitive distance is also reduced, and so a locally recursive relationship is formed between social interaction and institutions. The University, the schools and the social institutions carry and contribute to an increased of social capital. For the preservation of social capital are decisive the role of community service of the Municipal, the Metropolis of Dimitriados and the citizens within the solidarity and volunteering framework. Social networks are particularly effective at illuminating the patterns of interaction between individuals and the subsequent knowledge flows.



## **Creativity**

The image of Volos was intended to adapt to the knowledge society. Its strategy focuses to become a creative, eco and healthy city. The coordinated efforts of stakeholders are to transform the image of inertia in a social image of creativity. In the case of Volos there is a deficit of connections with the human creativity. The creative class is particularly important for an economy as its members generate more ideas and are more likely to establish new businesses, creating jobs opportunities and growth while this class is attracted to talented, tolerant and high-tech cities. The occupations of the creative class include engineers, writers, architects, scientists, teachers and artists and other professions involving in creation of major new products, processes or services. The Municipality should create the conditions for the attraction of creative class, offering opportunities for generating ideas and creative thinking. The creative class will establish the new knowledge image of city, with the ideas of alternative tourism, to improve the road network and with quality of life.

This research suggests that creativity occurs with greater frequency in environments where people feel they have the ability to produce positive change as well as the necessary resources to do so. The education at universities is a key to generate creative humans in the creative city. A basic prerequisite to shift the Volos's strategy towards innovation and cultural activities is knowledge and the dominance of values of social diversity by requiring highly educated people. The endogenous growth strategies attach great importance to the development of human capital, which will have the appropriate qualitative characteristics and skills, and it will be adaptable to the changes that cause the knowledge economy and technological advancements.

## **Internal Marketing**

Internal marketing has a strong impact on the stakeholder's satisfaction, especially on services delivery. Internal marketing's role is to ensure that individuals are able to come together for a common objective. This tool is critical to attain the city's goals, to reach in more satisfied, loyal and productive human resource. Through internal marketing, Volos will be able to overcome the existing inertia. So, stimulating stakeholders to believe in the strategy and operations of the city will be motivated to shape a vision that result of collective creation. The basic activities of internal marketing such as internal information, creating community spirit and motivation should be embedded in local stakeholders. At the center of place strategy is inhabitants who realized the city's vision through inter-functional coordination. This can help to reduce ambiguity surrounding their role and help stakeholders to meet the needs of inhabitants more effectively. However, motivation is not an easy task, because stakeholders respond in different ways to the city. Moreover, a committed stakeholder perceives the value and organizational goals, the stakeholder thinks of his goal and the city's goal in personal terms.

### **4.4 CONCLUSIONS**

Therefore, Volos will improve its competitiveness, when it produces products and services which are not displaced from the local market. Volos will become viable and attractive city, when it provides a better quality of life, work and mobility to residents; alike greater opportunities leisure, culture and better services to visitors. It become into a creative and open European city, if acquired new infrastructures and developed a range of contemporary economic activities. Volos evolved into a dynamic place, if it enables to manage changes and novels in the internationalized environment. The strategy's mission is to achieve convergence with the European Union - 27 average level of development; a sustainable pattern of development in all sectors; and internal social and spatial cohesion, taking into consideration the diverse and dynamic economic base, the endowments and advantages of the natural environment, the quality of human resources, geography, accessibility and infrastructures.

Today Magnesia is one of the most developed regions of Greece, offering high living standards and specializing in industry, services, tourism and higher education. Taking everything into consideration, in the case of Volos and in Greece generally, there is an intense central government intervention in the decision process for development activities at local level. Tourism, trade, industry and the high standards of local services are currently the focus of its financial and social growth. At the same time, the operation of an innovative and modern university, in conjunction with a major artistic infrastructure, and a vibrant cultural scene, offers the public the opportunity to choose from a variety of edifying events, including theatrical productions, concerts and art exhibitions. Thus, Volos is gradually turning into a business and cultural metropolis on the Greek, as well as on the European map. There is the need for meaningful reforms that will meet the demands of the new society. It is important to build a local governance system that listen and anticipate the new needs via mutual cooperation of the various stakeholders. It should be encouraged cooperation of municipality, municipality enterprises, local businesses and local institutions such as chambers, industrial association, information centers, technology development companies, innovation centers, university, and research centers. The reconstruction of local government is accompanied by the need to have executives with administrative capabilities and skills.

## CHAPTER 5

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### 5 CONCLUSIONS

*“Do you want to know who you are? Don’t ask.  
Act!  
Action will delineate and define you”*

– Thomas Jefferson

The aim of this dissertation was to mainly allocate an understanding of the interplay between stakeholders and the management of local economic development in the process of sustainable urban development, with reference to Volos city.

Initially, the project started by identifying and recording the key local economic theories and definitions. **Local economic development** can be identified as activities, which are based locally, mobilize local resource and skills, promote economic diversification, training and new forms of organizational development. Local economic development is achieved with the coordinated participation of stakeholders as well as with the appropriate allocation of local resources.

The project, from this point of view, argued by spotting what are the main factors influencing the topic. Especially, knowledge spillover, social capital and creativity contribute to local economic development. In order to examine that the researcher went through the main literature review utilizing major authors such as Pike et al. (2006), Capello and Nijkamp (2009), Florida (2002), and Landry (2000) .

**Knowledge** and **social capital** are the backbone of local economic development policies. Location advantages evolve slowly in path dependent processes. This is especially true for knowledge based advantages. So, to be successful local policy “has to focus on structural adjustments of tangible and non tangible infrastructure. Universities and universities college are agents of human capital formation and may support enhancement of local knowledge assets, while various non-profit organizations and similar institutions may capitalize the formation of social capital” (Johansson and Karlsson, 2009: p.252 in Capello and Nijkamp, 2009).

The emphasis is on creating an enabling environment for endogenous production and activities, making possible the social dialogue.

A part of new economic geography is the notion of **creative cities** and the members of creative class. Creative class as a new “social” economic class “helps its societies navigate the difficult transition into new age, at times improving the conditions for all...it’s now time for the creative class to grow up. We must recognize that despite our differences, we share certain interests and concerns” (Florida, 2002: p.315, 316), because its members “fully engage in the creative process” (Florida, 2002: p.69).

Generally, cities comprising talented people; which concentrate innovation and high industry centers, bringing together the social diversity and high amount of people of culture and art are most likely to develop into creative centers. The city is a system composed of different ecosystems. Within ecosystems exist the creative class, who is growing and is active knowledge (explicit and implicit) and foster innovation.

Local economic development is strongly related with the resource based view, because it results from the identification of internal forces and capacity and the allocation of stakeholder’s resources. At local level it is necessary to establish conditions for systematic and targeted capacity building a bottom-up approach of city planning. **Internal marketing** as a toolkit enables stakeholders to strengthen the management capacity on elaboration of local development plans. It is a tool on identification of stakeholders’ local needs and socioeconomic priorities in different ecosystems. In each ecosystem is strengthening the capacity building on participatory and joint development planning.

After the analysis of the major relative theories there was the creation of the **methodology**. The methodology that has been followed included in depth interviews with local stakeholders. The current approach attempts through the exploration to examine the behavior of stakeholders within the system. In this respect it is claimed that the methodological approach aims to contribute in the best possible way, to the already existing dialogue on issues of urban development.

The next step taken by the researcher was the coding categorization and analysis of the **findings**. The interviews indicated that there are no international management methods, right promotional activities, gap on the communications and coordination of the constructions. However, there is an effort for restructuring the tourism facilities enabling the alternative tourism to be allocated to the region of Volos. Also, there are proposals made from the local authorities to manage the potential development, but no extended actions take to complete such tasks. To prevent the failure of those projects, the mayor and other stakeholders try to find external funds and investors without the previous evaluation of the situation and/or internal capabilities.

With this perspective in mind, it is claimed the emergence of the role of stakeholders in local economic development. Local stakeholders, both leading to the design and implementation of actions and to the overall management and control them. At the same time, they should develop partnerships inside the urban environment, with other stakeholders for better decision making. Through the collaborations is improving their competence, to design and implement development policies, and also to improve the functioning and efficiency of existing production and social infrastructures for the benefit of the local community.

It seems the key roles of urban stakeholders constructing a specific governance system, via mutual cooperation, joint activities, cultural collaboration and coordination, and collectively building a shared vision of its future. Success depends on the degree that stakeholders partake to a shared vision for the place's future, which is critical to the alignment of their strategic actions. Shared vision should operate as a focusing mechanism for the commitment of resources by stakeholders with the aim of individual strategies, which may not be concerted, but remain symbiotic and operate coherently within the specific spatial context.

Obviously, to change a city takes the dedication and commitment of all stakeholders. To truly reform a city, stakeholders should work together as a community of learners. The vision is translated into measurable grade level expectations and objectives. City's stakeholders share in the development of the vision, commit to its implementation, and focus on its realization. With a shared vision, there is collective power and collaborative actions in order to succeed a sustainable development. A vision is shared when stakeholders have a similar image of what they want to create and are commitment to one another to having it happen. A shared vision emerges when people share a common aspiration of a desired future.

It should be consciousness of everyone that to make endogenous development in a city, local people should be initially disposal for change, then to establish a climate of cooperation and coordination among stakeholders. After that stakeholders will form a vision for the city which is common to all and follow it without pushing but because they pool to do it. Having defined vision, stakeholders will jointly decided by consensus on the appropriate strategic planning.

Finally, the leadership will play the role of coordinator in the process. Even so, the wider planning frameworks, which are directed by central government and facilitated by stakeholders, influence the forms of local economic development activities that are able to be undertaken. A great leader could be able to inspire stakeholders to think, act and communicate creatively. People want to improve their quality of life and people continuously seek better outcomes. Social mobilization and partnership are keys to success in improving the quality of life for communities.

Furthermore, it is indicated several areas that still need to be researched further. Firstly, it recommends examining more closely the relationship between the 3Ts-characteristics (Florida, 2002) that affect economic development. It could measure the certain people, who constitute the creative class of Volos city. The field research should take into consideration of other individuals and institutions of the city in order to be more objective and escape from the bias error.



Also having a larger sample of population the results will be more integrated and comprehensive. Moreover, it could be made empirically study so as to investigate the role of Volos city in the new internationalized environment. Also, it could conduct a survey about the role of local businesses in enhancing local competitiveness. Finally, it could be useful for further research to explore how / if the internal marketing instrument functions in practice.





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## APPENDICES

### 1. INTERVIEW SCHEDULE: TOPICS AND KEY QUESTIONS TO GUIDE THE INTERVIEW

**Good morning.**

**The purpose of this interview is to record your aspects as regards the city generally, the current situation, its dynamics and finally its perspectives.**

1. What does represent for you the city of Volos (the image that have in your mind for this city and its potentials)? What kind of city do you believe that Volos is? (What characteristics describe better the city?) How would you characterize the city of Volos? Which are the advantages and disadvantages?
2. What interesting activities are taking place in Volos and from whom? Who are the important supporters that express the city's dynamic? Which are the important actions, activities and initiatives where they have already taken and which is the magnitude of them?
3. Which are the today's challenges? Which growth opportunities could be exploited for its economic growth? Which are the common community's problems? How could they be overcome?
4. Which are the reasons (direct and indirect, short-term and long-term) that are able to threat its sustainable growth and the city's welfare? What kind of actions could be taken in order to deal with? From whom? (Who are responsible for them or have to engage initiatives?) Are they able to face them?

5. Which are the weaknesses and the factors that preventing the city's economic growth?

6. From whom these problematic behaviors have been expressed?

7. What kind of the previous mentioned preventions are the stakeholders faced in order to achieve their goals? How could you contribute in favor of?

8. As a stakeholder, what initiatives would like to take and what about the preventions or potential problems?

9. Which is your city's vision?

10. What should be done in city and from whom? Why? What are you able to do in favor of this direction?

11. Who could be your opinion's supporters or collaborators? What are you waiting for them? Which preventions or problems can they face in order to do the appropriate actions (requirements, way of thinking, shortages etc)? What would they be expected from you?

12. Who will be the opponents? Why? How can you convince or attract them?

13. Which are the economic growth factors? Which is the most crucial sector that the city should invest in this? Who are the people that you are waiting for take some initiatives? Which are these initiatives? How can you appeal them?

**Would you like to add something more?**

**Thank you very much for your time!**

## 2. THE LIST OF INTERVIEWS

<b>Stakeholder</b>	<b>Name</b>	<b>Date / time of meeting</b>
1. Municipality of Volos - Mayor	Panos Skotiniwtis	5/6/12
2. Vice Mayor of urban planning	Nikos Mosxos	31/5/12
3. Development Company of Volos (AN.E.BO.)	Vasilis Sgouris	28/5/12
4. Committee of Tourism promotion	Kerasia Martzwka	31/5/12
5. Port Authority of Volos	Iwannis Prigos	8/6/12
6. Association of Industries in Thessaly and in Central Greece (AITCG)	Apostolos Papadoulis	30/5/12
7. Region of Thessaly	Arguris Kopanas	30/5/12
8. Greek National Tourism Organization (EOT)	Evi Tzavella - Adamaki	31/5/12
9. Chair of the Scientific & Organizing Committee conference on Place Marketing and Branding (IDEATOPOS)	Alex Deffner	31/5/12